

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday April 30 1986

Conflicting aims
middle Arab
summit agenda, Page 5

No. 29,917

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| Australia | 100.20 | Indonesia | 1,250.00 | Portugal | 200.00 | Finland | 100.00 |
| Belgium | 100.00 | Italy | 1,000.00 | S. Africa | 100.00 | France | 100.00 |
| Canada | 100.00 | Japan | 1,000.00 | Singapore | 100.00 | Germany | 100.00 |
| Denmark | 100.00 | Malaysia | 1,000.00 | Spain | 100.00 | Greece | 100.00 |
| France | 100.00 | Philippines | 1,000.00 | Sweden | 100.00 | India | 100.00 |
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World news

Business summary

Oslo vote likely to topple Willoch

A change of Government appeared imminent in Norway after a decision by the main opposition Labour Party to vote against the emergency package of economic measures tabled by the Conservative-led minority coalition. The Prime Minister, Mr Kåre Willoch, had warned that his Government would resign if the measures were defeated. The prospect of Labour's return to power sent share prices plunging on Oslo's stock exchange, continuing Monday's decline. A further NKX 300-NKX 400 (\$435m-\$580m) was knocked off share values. The two MPs of the small right-wing Progress Party, who usually vote with the Government, said in yesterday's Storting (parliament) debate that this time they would vote with the opposition. Page 16

Asean summit

Foreign ministers of the Association of South-East Asian Nations (Asean) said they had agreed that the summit grouping should hold a summit in Manila next year. It will be the first Asean summit since 1977.

Golden Temple call

Sikh separatist radicals in India declared "Khalistan" a separate nation - from their holiest shrine the Golden Temple and called for foreign recognition.

Food aid threat

UN action to block US ships in support of Libya could put an end to one of the largest food aid programmes in Africa, say western officials in Khartoum, Sudan.

Celebration marred

A bomb explosion, disruption of high-speed train services and demonstrations by thousands of left-wingers marred celebrations in Tokyo of Emperor Hirohito's 66th birthday and his 70th year on the Japanese throne.

Campaign violence

Rabbi Avraham Kahane, a former member of parliament, was killed and beheaded and at least 400 other people injured in pre-election violence in Bangladesh, police said.

Haiti election call

Haitian political leader Marc Bazin, a leading candidate for his country's vacant presidency, called on the ruling National Council to set an early date for democratic elections.

Air links resume

US-Soviet air links resumed after a five-year gap, as a result of an agreement at last November's Geneva summit.

Police dismissed

Peru's Government, campaigning to end police corruption, has dismissed General Julio Ninos Rios, chief of the Republican Guard, its third biggest police force, and 10 of his subordinates.

Avalanche deaths

Five people were killed in avalanches in several Swiss skiing areas, bringing the death toll in Swiss Alps avalanches so far in the 1985-86 winter season to 32.

Chinese slave tomb

Heavy rain halted efforts by Chinese archaeologists to pry open coffins in a massive tomb thought to contain the remains of 180 slaves buried alive 2,600 years ago.

Duchess buried

The Duchess of Windsor, who died last week in Paris, was buried next to the Duke at Frogmore, the royal burial ground at Windsor Castle, west of London, after a simple funeral service attended by the British royal family.

Leading indicators up 0.5% in US

US INDEKX of leading economic indicators rose a modest 0.5 per cent in March, reflecting what Commerce Secretary Malcolm Baldrige described as "some soft spots in the economy." Page 4

DOLLAR rose in London to DM 2.1755 (DM 2.1640), SF 1.8195 (SF 1.8000), FF 9.9325 (FF 9.8975) and Y161.5 (Y167.15). On Bank of England figures, its exchange-rate index rose from 113.2 to 113.4. Page 31

STERLING fell slightly against the dollar to \$1.5525 (\$1.5535). It rose to DM 3.3775 (DM 3.3850), SF 2.825 (SF 2.8125), FF 10.7625 (FF 10.73) and Y260.50 (Y260.0). The pound's exchange-rate index rose to 76.6 from 76.4. Page 31

WALL STREET: The Dow Jones industrial average closed 17.86 down at 1,825.89. Page 38

LONDON: Issues gained on confidence indicators reports. Gilts also advanced. The FT Ordinary share index rose 25.9 to 1,381.2 and the FT-SE 100 put on 27.5 to 1,858.3. Page 38

TOYO: Stock exchange was closed for a national holiday. Surge in US bond activity. Page 38

GOLD rose \$1 in the London bullion market to close at \$345.75. It fell in Zurich to \$343.25 from \$343.80. In New York, the Comex June settlement was \$348.90. Page 38

EEC annual inflation rate, excluding Spain and Portugal, fell to 3.3 per cent in March from a 13-year high of 4.1 per cent in February. West Germany recorded 0.1 per cent and Greece 24.8 per cent.

BRITISH manufacturers expect a sharp improvement in output in the coming months as they emerge from a period of stagnation over the winter, according to the Confederation of British Industry. Page 11

KENYA began talks in Paris with the World Bank and a group of Western donor countries and organisations aimed at reviewing aid and investment.

SOUTH AMERICA has taken advantage of the sharp fall in international oil prices to replenish its strategic oil stocks. Gerhard de Kock, Governor of the Reserve Bank, said.

ELECTRONICS: Mounting Western restrictions on sales of electronic components to Eastern Europe might lead to a permanent split between the two blocks, according to Jan Kolodziejczak, managing director of Telkom Peletra, Comsec's only producer of electronic telephone exchanges. Page 7

PHILLIPS Petroleum, US integrated oil group, suffered a first-quarter setback with net operating profits of \$86m against \$111m in the corresponding period a year ago. Profits per share, however, were sharply up at 39 cents against 26 cents, reflecting the group's debt for equity swap last year as it fought off takeover.

EASTERN AIR LINES of the US blamed cut-price fares and strikes threats for a 1986 first-quarter net loss of \$110.82m against a profit of \$24.3m. Page 17

BETHLEHEM STEEL, beleaguered US steel company that ran up further heavy losses in the first quarter this year, said Mr Donald Trautlein, its chairman for the past six years, would retire at the end of May. Page 17

AUSTIN BOVER is strengthening its dealer network in West Germany and preparing to pay more than £2m (\$3.1m) extra in tariffs on exports to Spain as part of a European sales drive. Page 8

NEDBANK, troubled South African banking group, reported after-tax mid-year profits down almost a third at \$32.2m (\$10.3m). Page 17

D-MARK Eurobond: A record new issue calendar of DM 18.78bn has been registered for issue in May, the Bundesbank said. Page 20

Soviet Union asks for assistance and reports first deaths

Reactor 'burning out of control'

BY PATRICK COCKBURN IN MOSCOW, KEVIN DONE IN STOCKHOLM, RUPERT CORNWELL IN BONN AND DAVID BUCHAN IN LONDON

WESTERN nuclear experts believed last night that graphite moderator material at the Chernobyl nuclear reactor near Kiev in the Soviet Union was burning out of control. There might be a possible meltdown of the fuel core itself in what is "already being considered" the worst nuclear accident in history.

A Soviet Government statement admitted that at least two people had died in the disaster at the now evacuated plant, but added that radiation levels at the plant and "adjacent" territory had "stabilised". Unofficial reports have suggested a far higher death toll. A report by one newspaper, UPI, spoke of a figure as high as 2,000, but added that that could not be independently or officially confirmed.

Diplomats in Moscow last night said they knew of no evidence to support news agency reports of a very high casualty figure. The commentary was the first precise statement about the scale of the accident from the Soviet Government, which earlier asked West Germany and Sweden for advice on how to fight a reactor fire.

A Soviet Government commission, headed by a deputy prime minister and including heads of ministries and scientists, was said last night to be working in the locality, "presumably as much to manage the crisis as to investigate its causes. People at the Chernobyl plant settlement and three nearby villages had been evacuated and given medical aid.

In the vacuum caused by that was virtually a news blackout by the Soviet authorities, unconfirmed reports from Westerners in the area indicated that an 18-mile security zone had been imposed around the stricken and burning Chernobyl plant. But life in Kiev, 80 miles to the south and with a population of 2.4m, appeared to be normal.

However, Western journalists and diplomats were yesterday effectively barred from travelling to Kiev, while at the same time Intourist, the Soviet national tourist agency, said that tourist groups were still being taken to the Ukrainian capital.

The US yesterday offered the Soviet Union humanitarian and technical aid to deal with the accident. But the Chernobyl reactor, which works on a water-cooled graphite-moderated process unique to the Soviet Union, is used for both civil and military purposes. Perhaps significantly, the two Western countries from which Moscow has sought advice - West Germany and Sweden - are not nuclear-weapon states.

The accident, according to yesterday's brief official statement, took place in one of Chernobyl's four 1,000 Mw reactors. "It resulted in the destruction of part of the structural elements of the building housing the reactor, its damage and a certain leak of radioactive substances." The three undamaged reactors have also been shut down.

In its search for international help to put out the reactor fire, the Soviet Union yesterday contacted the Swedish nuclear inspectorate. Mr Frigyes Reich, an inspectorate official, said: "They wanted to know how to approach the problem: how to put out the fire."

Swedish officials stated that they told Moscow they had no knowledge of how to control a graphite fire at a nuclear power plant, but suggested that the Soviet authorities should inquire of Britain, as they said a fire at the Windscale nuclear power station in northern England was the only known previous case of a graphite fire at a nuclear reactor. That suggestion seemed last night not to have been taken up, as Britain had not been asked for help.

At the same time, the Soviet Ambassador to Bonn met a senior West German Foreign Ministry official to seek similar help. According to unofficial reports, the Soviet Union has sought medical help from West Germany. Meanwhile in Denmark, people were queuing to buy iodine tablets, the usual antidote in radiation cases.

In northern Sweden, where fresh rain or snow had fallen in the previous 24 hours, tests yesterday showed radioactivity levels at least 10 times higher than normal. But the Swedish institute for radiological protection said 80 per cent of the radioactive material was short-lived and should disperse within a week.

Poland yesterday became the first of the Soviet Union's East European allies to report increased levels of radiation from the Chernobyl reactor. The Polish Government banned the sale of milk from cows that feed on fresh grass and said children in the north-east of the country would be treated for possible radiation contamination.

In New York, Mr Mustafa Tolba, head of the United Nations Environment Programme (Unep) echoed earlier calls by Scandinavian countries for Moscow to release more information about what had happened at Chernobyl. "Any country which accidentally spills toxic substances across borders to people living downwind should have the responsibility to provide such information," Mr Tolba said.

In London, the Soviet Union came under fire from all sides in a letter to the United Nations Security Council. Russia's dangerous secret, Page 14; Editorial comment, Page 14

| Reactor | Type | Year |
|------------------------|------------------------------|------|
| NRX (Canada) | Experimental fast reactor | 1952 |
| EBR-1 (US) | Experimental fast reactor | 1955 |
| Windscale (UK) | Plutonium production pile | 1957 |
| SL-1 (US) | Experimental mobile reactor | 1961 |
| Enrico Fermi (US) | Experimental fast reactor | 1966 |
| Chaparral (US) | Plutonium production reactor | 1968 |
| St Laurent (France) | Magnetron reactor | 1968 |
| Lucas (Switzerland) | Experimental reactor | 1969 |
| Three Mile Island (US) | Pressurised water reactor | 1979 |
| Chernobyl (USSR) | FBMK | 1986 |

* One person was killed, the only known death before the Chernobyl disaster.

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London clears way for £ commercial paper market

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

THE BRITISH Government gave the go-ahead yesterday to the creation of a sterling commercial paper market in the UK.

The decision, contained in a written reply by Mr Nigel Lawson, Chancellor of the Exchequer, was warmly welcomed in the City of London last night as the basis for a major new financial instrument which would help companies and investors to trade short-term money directly among each other in the form of unsecured paper.

It comes in response to pressure from both the UK financial markets and large companies which are keen to replicate the highly successful commercial paper market pioneered in the US.

Although it is not directly related to other changes sweeping through London - the so-called Big Bang - this new market will extend the range of financing options available to UK companies, provide institutional investors with a new home

for their money, and add further depth to the London markets. Mr Lawson said that Britain's Banking Act would be amended to exempt commercial paper from the definition of a deposit, removing the main legal obstacle to the creation of the new financing facility. Large companies are expected to make continuous use of the market, and could have effectively become deposit-takers, an activity permitted only to licensed banks.

The Bank of England last night also gave details of arrangements for the new market, which could start within three weeks.

In order to reduce the risks, access to the market will be permitted only to companies which: have ordinary or preferred stock listed on the London Stock Exchange; have net assets of at least £50m (875m); can say there has been no material change in their condition since the last financial statements.

This definition will restrict borrowers to large, well-known companies, but it will also include borrowers from outside the UK.

Issues of commercial paper will be in minimum denominations of £50,000 and may have maturities between seven days and one year. They are intended for professional investors, and will be exempt from stamp duty. No tax will be withheld on interest payments.

Continued on Page 16

Lex, Page 16; Feature, Page 20

Britain reduces tax on ADRs to 1½%

BY PETER MONTAGNON IN LONDON

THE UK Treasury yesterday amended its controversial budget plan to impose tax on the conversion of British shares into American Depositary Receipts (ADRs). It said the rate would be cut to 1½ per cent from 3 per cent.

Its decision follows a wave of protests from British stockholders and industrial leaders, who argued that the tax would inhibit their ability to raise capital abroad and deter foreign investment in Britain. ADRs, which are actively traded in New York, are US securities representing shares in foreign companies.

The announcement was part of a series of changes to the budget announced yesterday in a written parliamentary answer by Mr Nigel Lawson, Chancellor of the Exchequer. Other changes include:

● The restoration of exemption from stamp duty on most categories of corporate bond issues and so-called bulldog bonds (sterling issues by foreign borrowers in the UK market). Since the budget announcement this tax has led to a sharp reduction in dealing of bulldog bonds and driven new issue business offshore.

● The exemption from duty of share purchases by broker/dealers provided they are sold within a period of seven days. Bankers say this should help the development of client market-making and block trading.

Sir Nicholas Goodison, chairman of the London Stock Exchange, said all three changes would help industry to continue raising capital on competitive terms, though he added "the best news both for industry and for London as a world financial centre would still be the abolition of duty so that the market can compete on level terms with the market in the US."

In his statement, Mr Lawson said his main intention was to impose a tax on ADRs "at a rate which broadly speaking would eliminate the incentive to use them for tax avoidance."

Continued on Page 16

Lex, Page 16

Beatrice sells Avis to Simon-led group

BY PAUL TAYLOR IN NEW YORK

BEATRICE, the US food and consumer products group which was acquired earlier this month in a \$8.2bn leveraged buy-out by Kohlberg, Kravis, Roberts, the Wall Street acquisition specialists, has agreed to sell the Avis car rental business to Wesray Capital, the investment group led by Mr William Simon, the former US Treasury Secretary.

Terms of the cash deal were not disclosed, although Wall Street analysts have previously estimated that Avis, first put on the auction block last October, might fetch anything between \$100m and \$300m. Last year, UAL, the parent of United Airlines, paid RCA \$587.5m for Hertz, the world's largest car rental group.

Beatrice said the deal covered Avis's domestic and foreign car rental and leasing businesses. If the deal, which is subject to a number of conditions, is completed it would mark the latest in a long string of ownership changes for Avis. Avis is the second largest car hire company and was founded in 1946. Since then it has been owned by IIT, Norton Simon, Esmark and, most re-

cently, Beatrice, which acquired the unit when it took over Esmark in 1984.

Last October, Beatrice announced plans to sell Avis as part of its efforts to raise \$2bn to reduce debts incurred in the Esmark takeover. Since then, several potential suitors have emerged, among them Mr Warren Z. Avis, Avis's founder.

For Wesray and Mr Simon, the planned acquisition marks the latest in a string of deals put together in recent years. Mr Simon, who is a co-founder and chairman of the investment group, sprang into public prominence again after masterminding Wesray's acquisition of Gibson Greetings, the greetings card company, from RCA in 1982 for about \$80m. A year later, Wesray took Gibson public at an offering price which valued the group at \$330m.

Since then, Wesray has successfully completed a series of buyouts, mostly for \$100m or less. Earlier this year, Wesray led a \$625m cash and paper management buyout of Rockefeller group's broadcasting interests.

Continued on Page 16

Lex, Page 16; Feature, Page 20

ENI warns of setback after record profits

By James Buxton in Rome

ENI, the Italian state energy group that returned to the black in 1985 with record profits, gave a warning yesterday that it might suffer a big reduction in its operating profits and self-financing this year as a result of the dramatic fall in the oil price.

The company, however, would remain in profit, said Mr Franco Reviglio, chairman. He presented the 1985 accounts showing profits of L818bn (\$549m) on sales of L48,708bn.

In 1984 ENI lost L45bn on sales of L44,701bn. At the time, it stated the figures as L85bn on sales of L45,349bn.

Mr Reviglio pointed to increased profits in the energy sector, which makes up nearly 80 per cent of ENI's turnover. But there were sharply increased losses in chemicals, and ENI's minerals, textile machinery, and textile and clothing operations all made losses, although at a lower level than in 1984.

Operating profit was L3,120bn against L2,806bn in 1984. Debt fell from L17,962bn at the end of 1984 to

Continued on Page 16

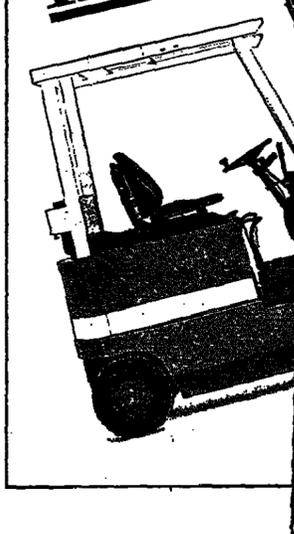
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Sweden protests to Moscow over lack of warning

By KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SOVIET UNION has asked the Swedish nuclear authorities for help in dealing with the serious accident at the giant Chernobyl nuclear plant north of Kiev. A similar request was made to the West German Government through the Soviet embassy in Bonn.

The level of radioactive fall out over Sweden and other parts of Scandinavia began to abate yesterday and a change in the wind direction means radioactive discharges are blowing towards the Black Sea.

The Swedish Government complained yesterday to Moscow about the lack of warning from the Soviet authorities about the accident and has put a series of questions to the Soviet Foreign Ministry seeking more information. The Finnish Government, however, decided yesterday not to ask for an official explanation.

In Copenhagen, Mr Poul Schlüter, the Danish Prime Minister, criticised the Soviet delay in releasing information and said that Denmark, which has no nuclear power stations, is to seek a treaty with neighbouring states to govern rapid access to information in the case of nuclear accidents.

Sweden's National Institute for Radiation Protection said about 80 per cent of the radioactive material that had fallen on Sweden should be dispersed within a week. The rest would remain much longer and is expected to drain through water courses into rivers and lakes.

In northern Sweden in areas where fresh rain or snow has fallen in the past 24 hours tests have shown levels of radioactivity at least ten times above normal.

The Institute said that the general levels of radioactivity were still so low that no special protection measures by individuals were needed. In its search for international help to deal with the accident the Soviet Union yesterday had contact with the Swedish Nuclear Inspectorate.

Mr Reisch said that it was clear that the graphite moderator of the reactor was burning and that there had been a partial or total meltdown. Mrs Birgitta Dahl, Swedish

Thatcher says UK is in no danger

By Fiona Thompson

BRITISH MPs were yesterday assured by the Prime Minister, Mrs Margaret Thatcher, that the disaster presented no danger to the UK. However, 100 British students were in the immediate area likely to be affected by the accident, 70 in Kiev and 30 in Minsk, the Foreign Office said.

The British Embassy in Moscow spoke to representatives of both groups of students yesterday afternoon, according to the British Council, which looks after students on cultural exchange programmes in the Soviet Union.

All the students were well and there were no immediate plans for evacuation, said the Council's cultural attaché in Moscow. No Western embassy in the capital had plans to evacuate personnel either, he said.

Mrs Thatcher told the House of Commons that no increase in radioactivity in Britain had been detected by preliminary measurements. Intensive monitoring of radioactive levels was continuing. There were demands from MPs on all sides for a full report from the Soviet Union.

Mr Kenneth Baker, the Environment Secretary, said Britain had not been asked for help but "if we get a request for assistance of a scientific nature it will be made available."

Mr Paul Johns, chairman of the Campaign for Nuclear Disarmament, warned that the disaster was the sort of accident that could happen at any nuclear power station in Britain. "May this tragedy be the final nail in the nuclear power coffin," he said.

N-programme in France unaffected

By David Marsh in Paris

THE ACCIDENT is unlikely to have any impact on France's ambitious nuclear power programme, which accounts for 65 per cent of the country's electricity production.

A spokesman for Electricité de France, which has more experience of nuclear plants than any international electricity utility, pointed out yesterday that safety precautions at French nuclear plants were considerably greater than in the Soviet Union.

France has 51 nuclear plants in service, of which 44 are pressurised water reactors. Although four older French plants are moderated with graphite like the Chernobyl reactor, this water-cooled reactor type is unique to the Soviet Union.

The EDF spokesman said that nuclear accidents "can never be excluded." But he pointed out that releases of radioactivity from the reactor core caused by breakdowns in the cooling system would, in French plants, be most likely confined within their protective concrete dome.

David Buchan recalls lessons of the Three Mile Island accident

When information sows confusion

THE LIMITED Soviet information about the Chernobyl nuclear accident, after the belated Tass acknowledgement of Scandinavian reports that something nuclear had indeed gone very wrong in the Ukraine, may be stirring justifiable international criticism. But, as events seven years ago at Three Mile Island in the US showed, totally open publicity of a nuclear accident can sow extreme confusion.

The mistakes made by the operators of the plant in eastern Pennsylvania happened in short and sharp sequence in the early hours of Wednesday, March 29, 1979. Put simply, pumps to inject extra cooling water into the reactor were turned off or blocked, while valves let contaminated water

out of the reactor and into the outer containment shell. As the water level fell, the upper ends of the fuel rods were exposed to scorching steam, dissolved and scattered uranium oxide pellets around the reactor. So much for the main facts established in cold, clear hindsight. But from the Wednesday until the following Sunday an extraordinary mixture of confusion, panic and cynicism set in.

Panic, because a public, sensitised in a very populist manner to nuclear accidents by the very recent release of the China Syndrome film, could hardly have failed to be alarmed by some of the more lurid media headlines reflecting statements by some of the jumper nuclear

industry officials. One character in the film had, as it happened, illustrated the effect of a reactor core meltdown by saying it could devastate "an area the size of Pennsylvania."

Confusion, because so many different spokesmen—the plant operator, the plant owner, the US Nuclear Regulatory Commission (NRC), the Pennsylvania state authorities—said so many different things. Press conferences at nearby Allentown were chaos. Journalists put questions in half-digested nuclear jargon and got technical answers which were largely incomprehensible to them.

Cynicism, because of the euphemisms used. The classic was the description by the company president of the reactor

IAEA willing to give help

By Patrick Blum in Vienna

THE International Atomic Energy Agency (IAEA) said yesterday it would be willing to provide assistance on request from the Soviet Union following this weekend's nuclear accident.

The Vienna-based agency was informed on Monday night but was given no details of the scale or time of the accident at the Chernobyl nuclear plant north of Kiev, a spokesman said.

Information suggested it was a "very bad accident." It was likely to have caused "irreparable damage to the plant."

The IAEA was established in 1957 by the United Nations to help to promote the peaceful use of nuclear energy. It has no policing functions and provides advice and assistance only on request.

Although it can recommend safety procedures—it usually asks governments embarking on a nuclear programme to set up a regulatory authority—the chief safety procedure is up to individual governments.

Last year, the Soviet Union signed a safeguard agreement with the IAEA which allowed international inspection of some of its nuclear facilities for the first time.

The safeguard aims to ensure that nuclear materials and equipment intended for peaceful use are not diverted to military purposes. The agreement, however, does not cover safety.

Moscow's decision followed similar moves by the US, Britain and France. Countries which have a nuclear military capacity are not bound to allow IAEA inspection.

Britain has listed all its nuclear utilities for inspection while the US and France permit only some to be visited. The Soviet Union has given a list of five

Ukraine region vital to Soviet economy

By DAVID BUCHAN

THE UKRAINE, in which the Chernobyl nuclear accident occurred, is a densely populated industrial and agricultural region, accounting for about one-quarter of Soviet production of milk, which is highly vulnerable to radiation contamination.

The prevailing north-west winds in the immediate aftermath of the accident may have carried the radiation cloud away from Kiev, the republic's capital and biggest city of more than 2m people, 40 miles to the south of Chernobyl.

But in the longer term, areas to the south may be at risk. Most of the rivers, notably the 748-mile Dnepr, drain into the Azov-Black Sea basin.

The 51m Ukrainians, who are about 18 per cent of the total Soviet population, live at an average density of 210 per square mile. Fortunately, the heaviest population concentrations are in



Kiev, the nearest large conurbation to the nuclear accident site, regularly attracts Western businessmen and tourists. It has become a high-tech centre, with such concerns as the E. O. Paton Electric Welding Institute selling metallurgical and welding licences to many Western companies.

US offers medical and scientific assistance

By REGINALD DALE IN BALI

THE UNITED STATES is ready to offer the Soviet Union its advice and expertise to help cope with the aftermath of the nuclear accident, according to White House officials accompanying President Ronald Reagan on his tour of the Pacific yesterday.

Mr Donald Regan, the White House Chief of Staff, said: "We have a lot of experience in how we can handle these things, both medically and scientifically."

Nancy Dunn adds from Washington: The US yesterday formally expressed regret for the accident and offered

humanitarian and technical assistance. Meanwhile the US embassy in Moscow has been in contact with Americans living or working in the affected area.

Nuclear industry officials attempted to play down the danger from fallout and worried about the future of US nuclear exports. Dr Frank von Hippel, a physicist and professor at Princeton, said he had been trying frantically to reach the Soviet Union with a suggestion that potassium iodide pills, remaining from the US Five Mile Island accident, be distributed to protect the thyroids of anyone within 200 km of the accident.



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REPUBLIC OF IRELAND



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Hoare Govett in Tokyo

Hoare Govett (Far East) Limited is pleased to announce that it will be operating its securities branch licence in Tokyo with effect from

30th April 1986

In London Peter Nankervis, Hoare Govett Limited, Heron House, 319-325 High Holborn London WC1V 7PB. Tel: (01) 404 0344

In Tokyo Nic Stephens, Hoare Govett (Far East) Ltd, 421 Kishimoto Bldg, 2-1 Marunouchi 2-chome, Chiyoda-Ku, Tokyo 100. Tel: (03) 214 2900

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HORIZON

(Horizon Travel PLC and Subsidiary Companies)
SUMMARY of RESULTS
 for the year ended 30th November 1985

| | 1985 | 1984 |
|--|--------------|--------------|
| ● Group Turnover | £135,691,302 | £151,943,215 |
| ● Pre-tax Profit | £14,463,597 | £12,518,142 |
| ● Profit after Taxation and Minority Interests | £9,501,885 | £8,240,904 |
| ● Dividends | £2,193,644 | £1,862,803 |
| ● Earnings per Ordinary Share | 20.90p | 19.47p |
| ● Dividends per Ordinary Share | 4.40p | 4.40p |
| ● Shareholders' Funds | £62,161,553 | £44,378,266 |
| ● Net Assets per Ordinary Share | 124.68p | 104.82p |

COMMENTING ON THE RESULTS FOR THE YEAR, BRUCE ZANNER, CHAIRMAN, SAID:

“Group pre-tax profits of £14.46 million for the year included £13.6 million from the sale of two 737-200 aircraft but also bore the introductory costs of four new Boeing 737-300 ‘SQ’ aircraft. The sale of the two aircraft was part of the planned fleet re-equipment programme and enabled us to boost pre-tax profits to a record. Our aircraft fleet continues to be a superb investment. The Company's balance sheet is the strongest in the sector and net asset value per share has increased by 19% to 124.68p. The intense competition which characterised the market in 1985 shows no sign of easing in 1986. Our marketing strategy has been tailored accordingly. Volume in the past winter has exceeded previous records and load factor was 88% approximately. Summer prices have been reduced and sales volume has rebounded very sharply. Including Broadway and Holiday Club International programmes, we have already booked nearly 400,000 passengers and our capacity is three quarters full. A new videodata system has been installed giving improved computer access to travel agents. The new system has been very well received and now accounts for about 75% of incoming business. Independent consumer surveys have again viewed Horizon Holidays very favourably among major operators. In a comprehensive survey by a leading consumer magazine, Orion Airways scored top position for leisure flying among all British charter and scheduled airlines. Having recovered very strongly from the volume drop in 1985, Horizon will use its exceptional financial strength to increase volume and market share as a basis for a full trading profit recovery.”

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AMERICAN NEWS

People Express adds frills to its flights

By William Hall in New York
PEOPLE EXPRESS, the rapidly growing US airline which made its name by offering cheap no-frills flights, is now adding a few frills in a bid to stem mounting losses after a savage airline price war which pitted cut-price carriers against the airline establishment.

The New Jersey-based carrier plans to offer a first class service on its regular domestic routes and a frequent-flyer incentive programme to a bid to win a share of the lucrative business travellers market. It is also planning to offer customers travelling first class free drinks, free luggage check-in and other perks. While these additions do not sound revolutionary, they mark a significant change in style for People Express which until recently prided itself on offering the same cheap fares across the board. Other airlines have gone in for complex advance booking programmes to attract customers, with the result that the same airline can offer different fares on the same route.

People Express, the fifth biggest US airline, had soared this approach, but over the last few months it was being undercut by other carriers' warrier about the inroads it was making into their respective markets. Lately, Express has offered still cheaper fares on some but not all of its flights.

Mr De Solvestro, an airline analyst for Montgomery Securities, says that People Express's decision to add some frills to its service probably marks the end of an era when low-cost airlines seemed poised to force other large trunk airlines to adapt to their strategy.

US economic index rises by 0.5%

BY STEWART FLEMING IN WASHINGTON

THE US index of leading economic indicators rose a modest 0.5 per cent last month, reflecting what Commerce Department Secretary Malcolm Baldrige described as "some soft spots in the economy."

The increase in the index, which is designed to predict economic activity in the months ahead, was welcomed by some private economists as evidence that growth will pick up later in the year. But others continue to worry that the initial adverse impact of falling oil prices on some sectors of the economy and regions of the US, coupled with signs of retrenchment in consumer spending on durable goods, will hold output back in this quarter.

One sector of the economy which seems to be responding vigorously to lower interest rates is the housing sector. Housebuilding has been contributing significantly to economic growth and yesterday the Commerce Department reported that sales of single family homes soared 27.4 per cent in March.

The biggest percentages gain on record and the highest seasonally adjusted rate of sales since the statistics have been compiled.

A breakdown of the components of the leading indicators index, which has now risen for nine of the past 10 months, underlines the continuing problems of the manufacturing sector. New orders for consumer goods and materials and orders for plant and equipment were among the largest negative influences on the index. The major positive contributors were rising stock prices and money supply.

Most economists feel that although the annual real rate of growth of the economy in the first quarter picked up to 3.2 per cent in the first quarter, this overrode the underlying forward momentum.

Today, with the House ways and means committee in the midst of preparing trade legislation, the Commerce Department is due to report the merchandise trade data for March.

Change in UN finance proposed

BY OUR UNITED NATIONS CORRESPONDENT

UNITED NATIONS Secretary General Mr Perez de Cuellar is to propose a change in UN financing which would greatly increase the contributions of Britain, France and China and reduce that of the Soviet Union.

Officials said Mr Perez de Cuellar would discuss the proposals with Mrs Margaret Thatcher during his scheduled visit to London next month and with the Chinese leadership in Peking later this year. Mr Perez de Cuellar told the general assembly emergency session called to deal with the matter that the UN was facing a financial crisis which threatened the viability of reorganisation.

He made no proposals in his address, but in response to correspondents' questions he indicated support for a US proposal that its assessed share of the UN budget be reduced from 25 per cent to 20 per cent or even 15 per cent.

Given their "situation of privilege in this house," he said, the five permanent members of the Security Council were duty bound to pay more than others.

Their current assessments, based essentially on gross national product, for the 8500 million (US\$) regular UN budget are: China 0.79 per cent, Britain 4.56, France 6.37, Soviet Union 10.2 and the US 25 per cent.

In his remarks, Mr Perez de Cuellar offered indirect criticism of Washington, which has exacerbated the financial crisis by delaying or cancelling payments of more than \$263m.

Oil price drop 'will boost' US employment

AN estimated 500,000 people who would have settled in oil-producing states will migrate to other regions of the US because of the recent drop in oil prices, according to a report by Data Resources Inc (DRI).

However, the report concludes that the overall impact of lower oil prices will boost US employment and that the farm belt has a reason to be upbeat. "If the oil price were to stabilise at \$10 (86.45) per barrel for the next four years it would create 1.3m extra jobs in the US economy. California will gain nearly 20,000 new jobs for every \$1 drop in the price of a barrel of oil. Michigan will add nearly 11,000 new jobs and New York and Ohio will each add close to 10,000 jobs, according to the report. The Return to Cheap Oil, Whose Gain, Whose Loss? published by the Massachusetts economic research company owned by McGraw-Hill.

"For the first time in two decades, both the 'rust belt' and the farm belt have a reason to be upbeat," says Mr Donald Wall, the chief economist of DRI's regional information service. "Lower oil prices are a boon to traditional smelter and steel industries and a relief on the cost side for beleaguered farmers," Mr Wall says.

Economist Raul Prebisch dies

ARGENTINE economist Mr Raul Prebisch, whose work in the field of development took him to the top of two United Nations agencies, died yesterday at the age of 85. Reuter reports from Santiago.

A special adviser to the UN Secretary General and to President Raul Alfonsin in Argentina, Mr Prebisch attended last week's annual assembly of the UN Economic Commission for Latin America (ECLA) in Mexico City. He was one of the founders of ECLA.

Bomb explodes near home of US ambassador to Chile

BY MARY HELEN SPOONER IN SANTIAGO

A BOMB exploded yesterday near the Santiago residence of Mr Harry Barnes, the US ambassador to Chile, shattering nearby windows but causing no injuries.

In a separate incident, four army officers were wounded when shots were fired from a passing car outside an apartment block used by military officers and their families.

NO 16-8/2
 On Monday, a policeman was killed and two others injured during a clash with armed left-wing guerrillas, Chilean police reported. The policeman was the third killed this year in terrorist attacks.

The two-day spate of terrorist attacks comes at a time of increasing political tension in Chile as trade unionists opposed to General Augusto Pinochet's regime prepare for Labour Day celebrations tomorrow and students and professional organisations stage anti-government protests.

Trial breathes life into moral renewal in Mexico

THE COMIC-BOOK version of one of the biggest publishing successes in Mexican history, "El Negro del Negro Durazo," has on its inside cover a diagram of a labyrinth. Across it a stern, bespectacled Mr Francisco Rojas, Mexico's comptroller-general, stares at Mr Arturo "El Negro" Durazo, Mexico City's former police chief.

This month Mr Rojas and his colleagues finally got through the maze, winning a two-year long battle to get Mr Durazo extradited from the US. The former police chief is one of the prime exemplars of the multimillion dollar corruption that prevailed during the 1976-82 term of Mr Lopez Portillo, which was fuelled by the oil and credit boom of those years, and which his successor, President Miguel De La Madrid has pledged to eradicate.

The return of Mr Durazo to stand trial in Mexico, some officials argue, has breathed new life into the flagging moral renewal campaign which was the central plank of Mr De La Madrid's election platform. Mr Durazo is the second close associate of the former president to be brought to book. Mr Jorge Diez Salazar, the former head of Pemex, the state oil monopoly, is still in jail awaiting trial for embezzlement.

The Durazo case has revived the debate on corruption and accountability, and has turned up the spotlight on the extraordinary venality and vulgarity the Mexican political establishment fostered in its midst.

The supporting cast of characters in the Durazo drama inevitably features prominent members of this establishment, including Mr Lopez Portillo and his family, his predecessor, President Luis Echeverria; Mr Carlos Hank Gonzalez, the former mayor of Mexico City; and numerous former and current senior officials.

Mr Durazo was a childhood friend of former presidents Echeverria and Lopez Portillo. The former gave him command of the airport police—with the contributory opportunities this afforded—while the latter promoted him from his personal security chief to chief of police, and eventually a full army general.

But before Mr Durazo's promotion, both former presidents were informed by the US Drug Enforcement Administration that a Miami grand jury had admitted five charges of cocaine trafficking against their friend. The appointment, nonetheless, went ahead, and Mr Durazo quickly slotted his cronies into the key and most lucrative positions in the police force.

Mr Durazo even commissioned the building of a breathtakingly expensive estate at Parthenon at the Pacific resort village of Zihuatanejo, and a 20,000-acre complex of mansions outside Mexico City.

The latter exceeds in extravagance the four-million estate of the Lopez Portillo family built itself, and includes a replica of the studio 54 discotheque in



Left: Durazo, childhood friend of former Mexico president Portillo.

New York, estimated to have cost \$4m. The police chief's salary at the time was some \$17,000 a year.

The De La Madrid Government opened the complex to the public, giving it a brief vogue as a "museum of corruption." It also took over another monument to the Lopez Portillo era, a glitzy but empty multimillion dollar shopping mall which is now the headquarters of Mr Rojas' comptroller-general's office, the corruption watchdog.

David Gardner describes a big step forward in the de la Madrid Government's fight against corruption

Few would deny that this officer's efforts have reduced corruption substantially. The post-1982 financial crisis has also helped. There is simply less cash available for what the old penal code quaintly described as "inefficient enrichment."

The basic strategy has been to reduce the opportunities for graft and put in place the legal means to punish it. External and discretionary audits have been introduced, along with concepts like conflict of interest and nepotism.

The Geneva-based trade control and inspection company, Societe Generale de Surveillance, has been contracted to supervise public sector imports and exports. At a more symbolic level, Mr De La Madrid and his officials ostentatiously pay their income tax and register personal wealth each year.

But the lynchpin of what one commentator this month called the "electocracy," was Mr Lopez Portillo.

It is unthinkable that Mr De La Madrid could proceed against Mr Lopez Portillo without undermining the foundations of the regime, although only such extreme action would convince Mexicans that moral renewal is for real.

President de La Madrid, in an interview last year, stated that his predecessor had been investigated by the attorney

general but that insufficient evidence had been found to charge him. Mr Rojas more recently stated that moral renewal would continue, and that there were no "untouchable" figures.

Mr Lopez Portillo broke his silence only last week. He was stung to reaction following further allegations of corruption by, of all sources, Mr Jose Simon Arizona, the president of neighbouring Honduras. In an open letter to Excelsior, Mexico's leading newspaper, he denounced the Honduran leader as being either "badly informed or a liar."

"For political discipline," he said, he had put up with the lies and calumnies of the US press and, inside Mexico, professional slanderers and political enemies "and even professional agents of destabilisation."

The main obstacle to checking corruption and the abuse of power in Mexico is that the discredit of the ruling Institutional Revolutionary Party (PRI) regime, 37 years in power, has come to a head at the same time that its political vitality has been sapped. The single main reason why the PRI has run out of steam is that it has, over the past two decades, gradually been by-passed by the federal bureaucracy as the route to power.

From this weak position, the regime is badly placed to move against the vested interests it has built up. It has backed off from the notoriously corrupt, hostelry leaderships of the teachers' and oil-workers' unions.

The 800,000-strong teachers' union, the largest in Latin America, provides the sort of geographical spread the PRI has lost. The oil workers' union is almost certainly the richest in Latin America and it plays an increasingly important role in the thinking ranks of the main pro-Government union federation, the CTM which, since the crisis, has managed to deliver industrial peace and massive real wage cuts.

Though the Government took away the union's right to subcontract up to 40 per cent of state oil contracts in 1984, it has backtracked ever since, persuading itself that confrontation would stop the vital oil flow.

This advertisement is issued in compliance with the regulations of the Council of The Stock Exchange.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued share capital of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

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| £900,000 | £846,150 |

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A proportion of the shares has been offered to the Market and may be available to the public through the market during market hours today. The Group designs, manufactures and markets dresses and special occasion wear under the labels "Frank Usher", "Tom Bowler for Coterie" and "Coterie". Frank Usher is one of the best known and longest established fashion houses in the United Kingdom. The Group sells to a large number of retail outlets in the United Kingdom and overseas with approximately 45 per cent of production sold overseas. Full particulars of the company are available through the Extel Unlisted Securities Market service. Copies of the Prospectus and of Extel Cards can be obtained until 21 May 1986 from:

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 30 April 1986

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Legal Notices

PROVISIONAL GRANT OF A NEW JUSTICES LICENCE

TO: The Clerk of the Licensing Justices for the licensing district of the City of London
 TO: The Commissioner of Police for the City of London
 TO: The Town Clerk of the City of London
 TO: The Fire Officer, London Fire Brigade

1. David Richard Usagley Cleave now residing at 301 Bellinghams Grove, London SW11, having during the past six months carried on the trade of selling liquor shall not be sold or supplied on the premises otherwise than in accordance with the terms there and for consumption by a single person as an ancillary to his meals.
 2. In the wine bar area outlined in green on the deposited plans the sale and consumption of intoxicating liquor shall be restricted to that of wine only.
 3. Substantiated food to be available at all times in the wine bar area outlined in green on the deposited plans.
 4. No off-sales.
 5. Notwithstanding conditions 1 and 2 above intoxicating liquor of all descriptions may be supplied to those attending a bona fide private function by reason of consumption on the premises about to be shared or extended for the purpose of being used as a house for the sale of intoxicating liquor situated at London House, 14 New London Street, London, EC2, and to be known by the sign of Frenchurch Colony of which premises City of London Real Property Company and London Wine Bars Limited are the owners.
 AND it is my intention to apply to the Justices to have a Justices Licence the following conditions:

GIVEN under our hand this 23rd day of April 1986.
 DURRANT PIESSE
 Authorised agent.

Redfearn National Glass
 "Real progress is being made"

Interim Statement
 for 26 weeks ended 30 March 1986

| | 26 weeks ended 30 March 1986 £000 | 26 weeks ended 31 March 1985 £000 | 53 weeks ended 29 Sept 1985 £000 |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| Sales | 27,390 | 27,402 | 58,204 |
| Profit/(loss) on ordinary activities before taxation | 344 | (688) | 1,081 |
| Profit/(loss) on ordinary activities after taxation | 306 | (688) | 1,026 |
| Extraordinary items | 412 | - | 1,669 |
| Profit/(loss) for the financial period | 718 | (688) | 2,695 |
| Profit/(loss) per ordinary share | 5.16p | (11.40p) | 16.77p |
| Ordinary Dividend per share | 1.5p | nil | 2p |

Mr. John Pratt, Chairman, reports:

- * A significant turnaround in net profits.
- * Interim dividend of 1.5p (1985: nil)
- * The plastic division broadened its product range and widened its customer base.
- * We are looking ahead to the company's further development in selected areas of packaging industry.

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NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 4(c) of the Fiscal Agency Agreement dated as of June 1, 1982 among Superior Overseas Finance N.V. (the "Company"), The Superior Oil Company (the "Guarantor"), and Citibank, N.A. (the "Fiscal Agent and Paying Agent"), the Company has elected to redeem the entire principal amount outstanding of the captioned Notes on June 1, 1986 (the "Redemption Date") at the redemption price of 101 1/2% of the principal amount thereof, together with accrued interest to the Redemption Date.

On the Redemption Date, the Notes shall become due and payable upon presentation and surrender thereof together with all unremitted coupons appertaining thereto (a) at the corporate trust office of Citibank, N.A., 111 Wall Street, 5th Floor, Corporate Trust Services, New York, NY 10043, or (b) subject to any laws or regulations applicable to such payments in the country thereof at the main offices of Citibank, N.A. in Brussels, Frankfurt/Main, London, and at the main office of Citicorp Investment Bank (Switzerland) and Citicorp Investment Bank (Luxembourg) S.A. The redemption price shall be made in such coin or currency of the United States of America as the time of payment shall be legal tender for the payment of public and private debts and shall be made at the option of the holder at the offices referred to in (b) above by check drawn on, or transfer to a United States dollar account maintained by the payee with a bank in the City of New York.

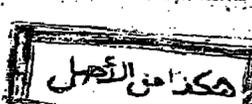
Coupons due June 1, 1986 shall be detached and collected in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Notes.

Superior Overseas Finance N.V.
 By: CITIBANK, N.A., as Fiscal Agent and Paying Agent

April 30, 1986

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Tax Compliance Act of 1985 unless the paying agent has the correct tax identification number (social security or employer identification number) of or an exemption certificate from the payee. If you surrender your Notes for payment in the United States, please furnish a properly completed Form W-9 or exemption certificate or equivalent.



Australian citizenship question for TV chief

Mr Robert Holmes à Court, chairman of Bell Resources, has been told by the Australian Broadcasting Tribunal that his radio and television licences may be withdrawn unless he can show he is an Australian citizen. Recent reports from Sydney, a foreign citizen, even a resident, is not allowed to own Australian commercial broadcasting licences.

Emperor celebrates

Emperor Hirohito of Japan yesterday celebrated the 60th anniversary of his reign with recollections of war and prayers for peace. AP reports from Tokyo, "Looking back... my heart is still filled with memories of the sacrifices by the people during the war and I am again moved by the preciousness of peace," he told the 6,000 guests who attended a ceremony at a Tokyo arena.

US aid for Savimbi

Guerrilla leader Jonas Savimbi says US aid for rebels fighting Angola's Marxist Government has begun arriving and appears to be the start of a major assistance programme. Renter writes from Mushango in central Angola. He said that the Angolan Government, helped by Soviet and Cuban forces, was expected to launch a big offensive against his Unita movement next month.

S. African violence

One man was killed, two injured, and a train and beer hall damaged in South Africa overnight, police told AP in Johannesburg. In Swaziland, all prisoners have had their sentences commuted to life imprisonment to mark the coronation of King Mswati, reports Renter.

China power cuts

China should reduce its oil exports because energy shortages were already leading to power cuts of up to three days a week in some areas, according to a report in the official newspaper China Daily quoted by Renter in Peking.

Thai trade hopes

Falling oil prices and sharply lower interest rates could give Thailand a current account surplus this year, the National Economic and Social Development Board says in a report from Bangkok. Officials said, however, that their optimism was based on the assumption that depressed prices for Thai tin and other commodity exports did not fall further. Thailand last year saw a 43.1bn baht (£1.08bn) current account deficit after a 49.5bn baht deficit in calendar 1984.

Taiwan to boycott Asian Development Bank meeting

TAIWAN has decided to boycott the 19th annual meeting of the board of governors of the Asian Development Bank which starts today in Manila to protest against the change of its name from Republic of China to Taipei, China. A spokesman from the bank confirmed yesterday that Taiwan, a founding member, was not going to the meeting which is attended by some 1,200 delegates and observers from 47 member countries.

REAGAN RECEIVES A SUBDUED WELCOME IN BALI



Mr Reagan: eerie silence

Banning of journalists mars start of visit

By Our US Editor in Bali

THE US PRESIDENT, Mr Ronald Reagan, flew in to a muted welcome here last night, as the Indonesian Government barred three foreign correspondents—two Australians and an American—from covering his three-day visit.

The two correspondents representing the Australian Broadcasting Corporation, Mr Richard Palfreyman and Mr Jim Middleton, arrived on the White House aircraft just minutes before Mr Reagan touched down in Air Force One, despite warnings that they would be refused entry.

The Indonesian authorities have reacted harshly against Australian journalists and cancelled a ministerial visit to Australia, following a highly critical article in the Sydney Morning Herald earlier this month. It alleged that President Suharto, his relatives and business associates had enriched themselves through government contracts and favouritism—somehow along the lines of the ousted Philippine regime of President Ferdinand Marcos.

The two Australians were taken by Indonesian officials from the aircraft in a blaze of US network television lights and told that they would be put on a flight to Tokyo. White House officials unsuccessfully argued that all the more than 200 journalists travelling with Mr Reagan should be admitted.

The incident, already a cause célèbre in Australia, was given a boost by a morning TV news programme, heightening the growing controversy in the US over Indonesian human rights deficiencies and denial of press freedoms.

US officials who were hoping that the incident would not overshadow Mr Reagan's meeting with Mr Suharto here tomorrow, said that the Indonesian officials had carried out their tasks "firmly but correctly."

An American reporter, Ms Barbara Crossette of the New York Times, was also ordered out of Bali and on an aircraft to Jakarta. She too had earlier been warned that she would not be allowed to cover Mr Reagan's visit, for reasons that were not explained, but had been led to believe that the ban had been lifted.

Mr Reagan, who had earlier received an enthusiastic welcome from a predominantly US military crowd on a brief stop-over in Guam, was greeted in Bali by an eerie silence. There were none of the usual crowds and bands at the airport, only a brief display of Balinese dancing. Outside, however, small crowds gathered in the dark along the route to his hotel.

In Guam—a tiny 212-square-mile US Pacific outpost occupied largely by the military—a flower-bedecked Mr Reagan was serenaded by what was described as the smallest band in the US Navy under grey wind-swept skies. The island, just to the west of the International date line 9,000 miles from Washington, is known in the US as the place "where America's day begins."

For the first time on his 13-day Pacific trip, Mr Reagan received a favourable mention for his theme that "winds of freedom" are blowing around the world. "As ancient navigators of the Pacific we stand already to hoist our sails for you," said Mr Eddy Reyes, the territory's Lt Governor.

Row looms between US and Thailand

BY REGINALD DALE, US EDITOR, IN BALI

RELATIONS BETWEEN the US and its long-standing ally Thailand have suffered a severe blow with the implementation of an obscure piece of Washington legislation to help American rice farmers.

The Thai grievances are likely to surface at the meeting of Asian foreign ministers tomorrow at which President Ronald Reagan is to put in an appearance as he slowly makes his way to Tokyo for the western economic summit from May 4 to 6.

The measure, which Thailand maintains is undercutting its position as a leading rice exporter, has been described as a "betrayal" by Thai officials. It has provoked an emotional outcry in Thailand, where opposition politicians are now questioning the wisdom of putting too much faith in the alliance with the US.

Thailand says that the livelihood of half of its population is at stake, with potentially serious implications for the country's political stability. Relations between Washington and Bangkok have been further upset by Thailand's surprise action in the United Nations Security Council last week, when it voted in favour of a resolution condemning the US air strike against Libya.

The Thai vote obliged the US, Britain and France to veto the resolution, which would have failed without Thai support. While Bangkok has denied that the vote had anything to do with the rice dispute, US officials suspect a connection. Washington had hoped that Thailand would at least abstain, and subsequently protested strongly at Bangkok's action.

The support measure for America's 30,000 rice farmers went through in the 1985 US Farm Bill, despite administration opposition, and came into effect three weeks ago. It allows the farmers to borrow from the Government against rice put in storage on extremely favourable terms, a scheme that Thailand regards as an unfair subsidy.

The effect has been to lower world rice prices and increase the competitiveness of US exports, which have dropped to about 17 per cent of the world market from 25 per cent in 1981. Thailand's share is 40 per cent representing about 15 per cent of the country's foreign exchange earnings. Thailand's earnings fell by about \$100m last year because of lower rice prices.

Mr Reagan promised in an interview this week not to implement the policy in a "predatory" manner.

US nuclear carrier to traverse Suez Canal

By Tony Walker in Cairo

Egypt, in a gesture that could add further to tensions with neighbouring Libya, has given special permission for the nuclear powered American aircraft carrier, Enterprise, to pass through the Suez Canal, strengthening the US task force in the Mediterranean.

The US has three carriers in the Mediterranean with a strike force of more than 200 warplanes. The 76,000-ton Enterprise joins the Coral Sea and the America which were involved in action earlier this month against targets in Libya.

Egypt, which normally forbids the passage of nuclear powered ships through the canal, gave special permission for the Enterprise to pass from the Indian Ocean to the Mediterranean along the 190 km waterway. The last nuclear powered ship to traverse the canal was the US cruiser Arkansas in November 1984.

Meanwhile, Egypt at the weekend revealed that it had rejected a secret Libyan demand for military assistance following the April 15 US raids on Tripoli and Benghazi.

Conflicting aims muddle agenda for Arab summit

BY RICHARD JOHNS IN FEZ

ARAB FOREIGN ministers are scheduled this evening to try to draw up an agenda for an extraordinary summit here in response to Libya's call for a top level discussion of the US air raids on Tripoli and Benghazi just over a fortnight ago. Reflecting the clear difficulties of obtaining any consensus in advance, officials in Rabat now say that anything resembling a summit is unlikely to take place now before Monday—a week after the date originally announced by the Moroccan Government. Some diplomats there still doubt whether one will be convened at all.

A muddled situation typical of convoluted Arab divisions has been further confused by a statement by Mr Kamal Hassan al Mansour, Libyan Secretary General for Foreign Affairs, on Monday evening that any such meeting should be held in the aggrieved country itself—not in Tripoli or Benghazi but in a "village."

He also suggested that Col Muammer Gaddafi would not necessarily attend one whatever the venue. The central issue, however, is whether an agenda is limited merely to a condemnation of the US—and possibly the UK as well for allowing the use of American bases in Britain—or broadened to include at

Western countries have not made sufficient progress in tackling international terrorism since the last summit of their leaders in Bonn Mr Helmut Kohl, Chancellor of West Germany said in New Delhi last night, John Elliott reports.

"We shall have to discuss these issues in Tokyo," he declared. Authorities had started to co-operate but they were being "too slow and not dynamic or stringent enough."

Arrangements for an extradition treaty between Germany and India, which wants to bring Sikh extremists living in Europe back for trial, are believed to have been drawn up during Mr Kohl's two-day visit to New Delhi which ended last night.

determined to limit the agenda to the single topic of the US strike.

Another complication has arisen with the demand by Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, that reported bilateral exchanges between Jordan and Israel should also be on the agenda. In addition Lebanon wants Israel's continued control through proxy forces of an enclave on its southern border to be covered.

Western diplomats here assume that King Hassan of Morocco will not want a top-level meeting to take place unless there is a reasonable assurance that condemnation of the US action is not too strident in tone.

He cannot risk, they say, any further deterioration in his relations with the US which were badly strained by his accord with Col Gaddafi in August, 1984 on a "union" between Morocco and Libya. His main aim in concluding that bizarre agreement was to end Tripoli's support for Polisario in the disputed Western Sahara—an objective successfully achieved. The reaction of such states as Morocco, Saudi Arabia, Kuwait and Jordan to the American raid was inaudible or deafening in its silence.

Fall in tourism, Page 6

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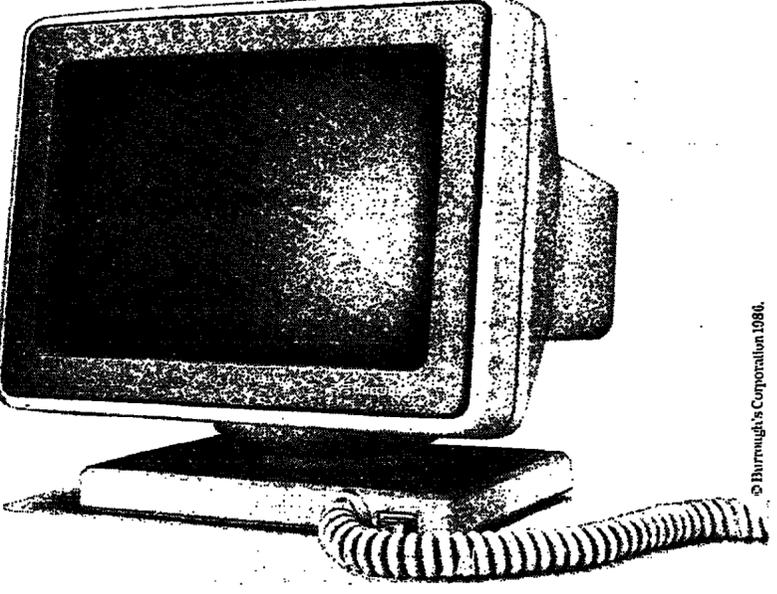
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WORLD TRADE NEWS

Francis Ghiles explains why one ministry can expect to escape severe budget cuts
Algeria pushes on with water projects

ONE MINISTRY in Algiers can expect to escape the severe budget cuts which the sharp downturn in crude oil prices is forcing on the Government led by Mr Abdelhamid Brahimi. The Minister of the Hydraulique has ambitious plans to expand the water industry. The original budget plan was for expenditure of Dinars 452bn (58.9bn) over five years (1985-89). This is double the figure for 1980-84 but is likely to be trimmed.

The National Assembly in Algiers is expected to agree to the 18 per cent cut in the 1986 budget submitted to it last week by the Minister of Finance M. Abdel Aziz Khelil. Francis Ghiles reports. Current expenditure would decline by 11 per cent to former owners or sold off, and as agriculture revives, the need for water increases. Ten dams have been commissioned since 1980, and studies for 13 more completed. They should more than double the volume of water held by dams to 5.5bn cubic metres. Irrigation now offers farmers 800m cu metres of water and the authorities hope to double this figure by the mid-1990s. The largest dam project covers the "Grand Alger" area around the capital, where more than 5m people live. The initial study for this project was completed in 1983 by W. S. Atkins and Binney and Partners, of the UK. The project includes two dams, many pumping stations, the renovation of 4,000 km of urban piping and construction

Dinars 39.5bn (53.6bn) while investments would be trimmed by 26 per cent to Dinars 43bn. State taxes derived from oil and natural gas exports are expected to decline by 40 per cent to Dinars 29bn - this sector accounts for 97 per cent of Algeria's overseas earnings. Last year's small budget surplus will this year turn into a deficit of Dinars 14bn. Other austerity measures include a 75 per cent cut in foreign currency allowances for Algerians travelling abroad. The group is also helping with a training programme half of whose cost is being met by the World Bank. In addition a factory is being built which will produce cement tubes for the new piping. The sewer project is expected to be completed next summer. The inhabitants of Algiers have had to manage with running water for only a few hours a day, often during the night. The 50-year-old piping was so coated with chalk deposits that the diameter had been reduced by four fifths to only 30 millimetres. The World Bank has also agreed to finance the foreign currency costs of two other major water projects to expand water in the metropolitan areas of Oran and Constantine, and

loans worth \$262m have been granted. Unsatisfied demand for water represents 35 per cent of water production in Oran and 44 per cent in Constantine. The projects will benefit 2.1m people, as well as many commercial and industrial developments. Oran, in particular, boasts an increasing number of industries and its water supply has been severely hit by the growing requirements of the nearby oil and gas export base of Arzew. The contract for the Oran project, whose foreign currency costs amount to \$175m, went last autumn to Dragados y Construcciones, the Spanish group which is very active in Algeria. Zehokke of Switzerland. The Constantine project is due to be awarded soon. State loans are being extended to farmers to enable them to sink wells, buy electric pumps, and build small earth-ware dams on the hillsides. But despite the efforts to improve the water industry its neglect in the two decades up to 1980 and the wasteful use of water resources by industry will continue to weigh on Algeria's economic development for many years.

Commission seeks to stem fall in tourism

By Quentin Peel in Brussels

THE EUROPEAN Commission has called for an emergency meeting of EEC Ministers of Tourism to discuss ways of combating the fall in US visitors following the recent increase in concern over terrorism. The decline in bookings and cancelled reservations has hit all the EEC member-states, particularly Mediterranean countries such as Italy and Greece, according to Commission officials. Apart from the effect of terrorist incidents, and the latest conflict between the US and Libya, the fall in the value of the dollar has been a major contributing factor. Mr Jacques Delors, the Commission President, and Mr Carlo Ripa di Meana, the Commission responsible for tourism, suggest that some form of joint information campaign might be launched to counter terrorist fear in the US. Officials in Brussels say they also need to get more accurate figures for the extent of the loss in trade in the current year. At the end of January, Mr Ripa di Meana said there had been a 30 per cent drop in US visitors to Greece in the second half of 1985, a loss of more than \$100m (E20m) following an attack at Athens airport. He said Italian operators were expecting a 50 per cent drop following the airport attack in Rome in December. The call for the meeting was made in a letter delivered yesterday to Mr Hans van den Broek by the Dutch Foreign Minister and current chairman of the EEC Council of Ministers.

'Time is running out' in US-EEC farm trade row

By PAUL CHEEVERIGHT IN BRUSSELS

EFFORTS to bridge the farm trade rift between the European Community and the US move into a new phase in Friday with the start of talks at the General Agreement on Tariffs and Trade. But the talks start against the background of a warning, delivered yesterday in a satellite interview, from Mr Richard Long, the US Secretary of Agriculture, that time is running out. On July 1, the Reagan Administration plans to take the first step towards the restriction of EEC sales unless compensation can be agreed for what the US sees as lost trade through the switch by Spain to a new levy system on corn and sorghum. "I'm hopeful but there is very little time. There is some question whether the talks can be completed by July 1," Mr Long said. Both sides are claiming justice is on their side in the shape of adherence to GATT rules. So any move by the US will prompt retaliation by the Community, both sides have added.

lists already drawn up. While the Community claims that it is ready to grant compensation to its trading partners for any advantages lost by Spain and Portugal joining the EEC, it wants all talks on a global basis. But the US wants them done sector-by-sector. Mr Long said the US would lose \$12m (\$600m) of farm trade. Although the effects of Spain joining remain the subject of sharp contention, it is now clear that questions arising from Portugal's membership can be resolved. The US has threatened restrictions after May 1 because Portugal is placing temporary quotas on soy beans and 15 per cent of its grain market is being reserved to Community suppliers. If the Portuguese quotas "do not have any deleterious effects at this point," Mr Long said, then the US will arrange its quotas so Community trade is not affected. "I suppose you could call it symbolic," he added.

West warned on telecom curbs

By CHRISTOPHER BOBINSKI IN WARSAW

MOUNTING Western restrictions on sales of electronic components to Eastern Europe could lead to a permanent gulf between the two blocs, according to Mr Jan Kolodziejczak, managing director of Telkom Peletra, Comecon's only producer of electronic telephone exchanges. "Economic co-operation in the future may become impossible because we'll both go our separate ways," Mr Kolodziejczak said.

He reported that his Poland-based company was increasingly experiencing difficulties in procuring components from Western suppliers. "My designers are afraid to put available Western parts into new equipment because they might soon appear on the West's restricted list," he said. Suppliers from West Germany, the UK and France were afraid of US strictures should they supply technology to the East. Telkom's exchanges are built

according to technology supplied by the French Alcatel electronics group. Recently Mr Kolodziejczak, who is a Communist Party central committee member and actively supports Poland's decentralising economic reform, led a delegation to Alcatel for talks. Poland's joint-venture law passed last week could provide a vehicle for future co-operation with Alcatel and provide the French group with an opening to the Comecon market.

US steamship group ends Pacific container run

By ANDREW FISHER, SHIPPING CORRESPONDENT

LYKES BROTHERS Steamship of the US is ending its regular container service across the Pacific because of low freight rates and may sell the six ships now being built for it in Japan at a cost of \$225m (£150m). The move, several months after the withdrawal from the Pacific of Hapag-Lloyd of West Germany, comes as cargoes from Asia to the US are rising again. But rates have fallen sharply as a result of over-capacity.

Lykes, privately-owned, said carriers were losing money on the Pacific. Lykes will switch the four container ships used on the Pacific route to its US Gulf-northern Europe service. It will continue its non-container service from the US Gulf and west coast to the Far East. The company's last container ship from the US west coast to the Far East will sail on May 2.

Bonn to boost India aid

By JOHN ELLIOTT IN NEW DELHI

WEST GERMANY intends to increase by 10 per cent its DM 360m (240m)-a-year aid to India. Mr Helmut Kohl the West German Chancellor said in New Delhi yesterday. The funds would partly be earmarked for contracts placed in West Germany for electric power and fertilizer plants and water installations. In recent years, West Germany has maintained a constant level of annual aid for India, while cutting back on its over-

all aid budget. During Mr Kohl's visit, memoranda of understanding were signed on co-operation in the coal and lignite industries, oceanography, export promotion and other scientific and technical areas. India and the Soviet Union yesterday signed agreements in New Delhi to extend their co-operation in fields such as cars and motor components, chemical machinery and earthmoving equipment.

EEC calls for subsidised credits check

By Christian Tyler, Trade Editor

THE EEC has asked member-states to explain their use of subsidised export credits following a complaint that the UK had undermined an EEC agreement to phase out such subsidies for intra-Community trade. After 1978, when the EEC agreement was made, Britain and others continued to subsidise export finance on goods routed back into the Community via a non-EEC member such as Switzerland.

But according to the ECGD and the Department of Trade and Industry, Britain at least stopped this practice of "dog-levelling" at the end of 1983. A reply to an EEC letter of inquiry several weeks ago has been made. Mr Alan Clark, Minister of Trade, said in a parliamentary written answer on Friday that Britain no longer supported fixed-rate export finance where it was known that the final destination of the goods was another EEC country.

Britain stopped supporting "dogleg" deals around the time of an important change on the gentlemen's agreement on subsidised export finance operated by the 24 OECD countries. The Brussels inquiry and questions in the British Parliament appear to have been triggered off by complaints from a company called Utralisure, which in 1981 secured an export loan at 8.5 per cent for a paper subsidiary it set up in Switzerland to do business in Denmark.

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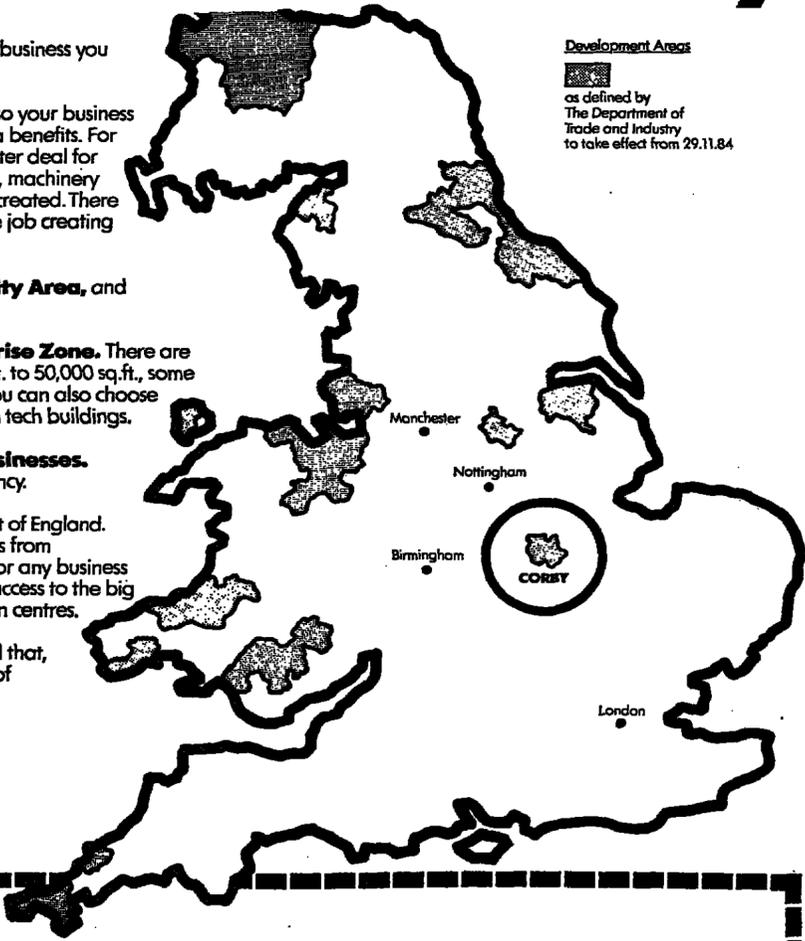
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Company Announcement
De-watering of the Gembokhoutha dolomitic groundwater compartment
Exhaustive tests of alternative methods of reducing the very considerable inflow of water into the North Slaak area of the company's mine have indicated that the only practical solution is to de-water the Gembokhoutha Compartment. The company's application to the Department of Water Affairs to de-water has now been formally approved and a permit has been received.

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Handwritten signature or stamp at the bottom of the page.

Peter Marsh on a range of new temperature-sensitive materials Making a display when heat is on

WOULD you wear a tee-shirt which, initially blank, displays the message "I am the greatest" when you enter a warm room?

People with such leanings towards self-exhibitionism are being targeted by BDE, a chemicals company which has developed a new class of materials that change colour when exposed to heat.

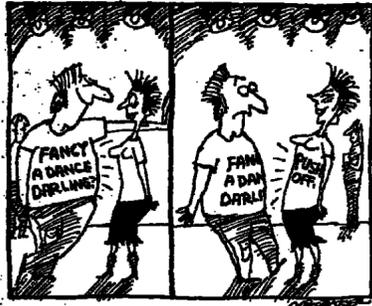
BDE, of Poole, Dorset, shot to prominence in the mid-1970s by selling a novel type of liquid crystal display for calculators. With annual sales of about \$90m, the company is supplying its new, heat-sensitive formulations to an unnamed maker of printing inks in Japan. The chemicals will be mixed into inks used to inscribe hidden messages on shirts.

Other products which could follow from application of these so-called photochromic chemicals—developed by BDE as part of extensive work into new materials—include paints which change colour as the temperature changes. BDE's innovative chemicals are based on mixtures of phenyl benzoate esters and are improved ver-

sions of older types of photochromic materials which have been available for some years. Photochromic paints could coat the walls of discotheques or other buildings used for entertainment. When someone puts his or her hand against the wall, raising the temperature, the imprint of the hand is left on the surface. The materials could also be used in advertising.

A West German paints company, which BDE is also reluctant to name, has bought sample quantities of the chemicals for this application. The Poole company is owned by K. Merck, the West German chemicals company (not to be confused with Merck, Sharp and Dohme, a US-owned chemicals concern).

According to BDE, the company's photochromic materials could also be incorporated in ice-warming signs on motorways, in coatings for saucers to indicate when the utensils are hot, and in scientific and medical instruments which require simple ways to measure temperature. Sales of photochromic materials could be worth £10m a year to BDE within a few



years, says Dr Michael Parsley, a marketing manager at the company.

Photochromic materials, which have been available for the past 15 years as by-products in standard chemical processes, are not in themselves new. But Dr Parsley says that BDE's materials are more sensitive and stable than the established type of photochromic chemicals, which are based on cholesteryl esters.

As a result, the phenyl benzoate esters could become accepted in a range of mature industries such as paints and printing. Applications of the new type of photochromic product have been limited, in contrast, mainly to low-value "gimmick" products, such as novelty thermometers.

The Poole company's photochromic products, which are

mixtures of up to 10 different chemicals, can indicate temperature to within 0.5°C. Depending on the mixture, the substances can be made to change colour (say from red to blue) at virtually any temperature from -30°C to 120°C.

The chemicals are sold as microspheres, tiny balls of gelatin the size of dust particles with the photochromic substance, a liquid, packed inside. The microspheres are later mixed with other substances to form, say, an ink pigment.

The molecules in photochromic materials are arranged like the coils of a spring. As the substance is heated or cooled, the "coils" unwind or close up, altering the wavelength of the light which the chemical reflects and so making the material appear to change colour.

SHARPER IMAGE FOR LIQUID-CRYSTALS IS ON THE WAY

BDE hopes its photochromic products could be as big a success as the biphenyl-based liquid-crystals it came up with in the mid-1970s.

That work arose initially from research at the Defence Ministry's Royal Signals and Radar Establishment (RSRE) into novel crystals, used for instance in infrared optics and in electronic materials. BDE has worked jointly on new materials with the Malvern-based establishment since 1961.

BDE's biphenyl liquid crystals (the patents for which are owned by the defence ministry) are based on compounds the optical properties of which are changed by pulses of electric current. Small cells built from the crystals can be triggered by electric current to build up a pattern of light and dark areas on a display.

In the late 1970s, the Poole company accounted for about 60 per cent of the world

market in liquid crystals, a figure now reduced to roughly 25 per cent. Hoffman, La-Rochelle in Switzerland and BDE's parent company in Germany are among the other major suppliers.

Although total world sales of liquid crystals are worth no more than about \$15m a year, sales of display-based products, which use the crystals, add up to an industry \$0 times bigger. The products include watches, calculators and displays for car dashboards.

Most of the companies which use liquid crystals are in the Far East. The main customers for BDE's liquid crystals include Sharp, Seiko and Hitachi of Japan, Vari-tronics of Hong Kong and PCL and Vikiy of Singapore.

BDE is now working with the RSRE, Bnd University and STC, the telecommunications company, on research to produce liquid-crystal displays

for standard-sized TV sets.

This work uses special liquid crystals which switch on and off very rapidly, so matching the rate at which successive frames of a TV picture are transmitted.

The crystals are called smectic materials, the molecules of which are arranged in parallel planes. They are to be distinguished from the nematic (randomly distributed) crystals used in conventional liquid crystal displays.

On application of a current, smectic crystals switch from light to dark and back again much more rapidly, in microseconds rather than milliseconds, than the nematic form which work too slowly to be useful in large-area displays where a sharp image is required.

In other work in specialist chemicals, BDE is supplying Cornell University in New York with 13 tonnes of chalcium-doped cesium

iodide, worth about \$5m. The material, produced in the form of rods the shape of large candles, is used for detecting atomic particles in nuclear-physics experiments.

Mr Rex Symons, BDE's managing director, says that work on novel chemicals account for "a small part of our turnover but a large share of our research and development." The lion's share of BDE's activities is in making and distributing several thousand types of standard analytical chemicals anything from sulphuric acid to highly complex organic compounds. These products are shipped to laboratories all over the world.

Research into the novel substances is important in keeping the company in the forefront of technical advances, according to Mr Symons, and it also pays off from time to time in producing highly profitable products such as liquid crystals.

Australia plans overseas optical fibre connection

WORTH WATCHING

Edited by Geoff Charlish

OPTICAL FIBRE undersea cable networks are to link Australia and New Zealand with North America and Asia in a plan recently announced in Sydney that could involve expenditure of A\$2bn.

The first phase of the project is a joint venture, by Australia's Overseas Telecommunications Commission and the New Zealand Post Office, in which the two countries will be linked by 57,000 digital telephone channels or their data equivalent. The existing copper cable has a capacity of 2,800 channels which is now almost full.

This second, 2,500-mile link across the Tasman Sea will eventually extend across the Pacific and will be the largest fibre optic submarine project planned so far. Tender for cable and repeaters for Tasman Two will be requested later this year.

The first extension is likely to be laid north from New Zealand to Hawaii by the mid-1990s, to link up with a planned US-Japan cable.

RESEARCH ASSISTANCE for small- to medium-sized companies in the automotive-related industries is to be offered by the Motor Industry Research Association (MIRA) under an arrangement with the Department of Trade and Industry.

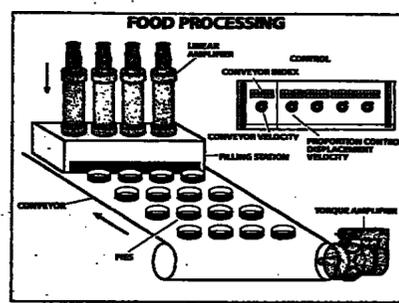
There are two stages of assistance. Initially, MIRA will arrange a free two-day consultancy study at an appropriate "centre of expertise" to explore viability. If the proposal appears exploitable and is not "re-inventing the wheel," further project assistance will be forthcoming. MIRA is in Nuneaton, Warwickshire, on 0283 348541.

POWERFUL CONTROLLERS for manufacturing cells in automated plants are being offered by Gould Electronics (0256 460466). These use a number of microprocessors to combine the many functions of the conventional programmable controller with the speed and performance of a minicomputer. The devices are compatible with General Motors' manufacturing automation protocol (GEAP), version 2.1. They can be used in factory automation applications requiring real-time monitoring and control of flexible manufacturing systems.

the \$2m Unison project established under the Alvey programme to investigate the interconnection and interworking of LAN-based office systems to allow voice, text, graphics, data and video to be exchanged by terminal users.

The collaborators are Acorn Computers, Logica, Cambridge University, Loughborough University and the Government's Rutherford Appleton Laboratory.

Much of the work is aimed at extending the integrated services digital network (ISDN, the European telephone authorities' next generation phone/data network), into office LANs. The collaborators are already running two megabit per second links between themselves.



ingredients could be saved in the UK industry alone.

The system uses a linear amplifier to convert power from a low power stepper motor into a high force linear motion. This gives precise control over velocity, position, acceleration and retardation of the portion displacement piston that "squirts" the fillings into the pie.

Electronic control added to the power source gives instant push-button control of portioning, to fine tolerances.

LAN CBIPs, dedicated communications integrated circuits for the Cambridge Fast Ring local area network (LAN), have passed preliminary tests in prototype form. This is a recent outcome of

the \$2m Unison project established under the Alvey programme to investigate the interconnection and interworking of LAN-based office systems to allow voice, text, graphics, data and video to be exchanged by terminal users.

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Known as Contra-Flam 3510, this cementitious fibre material will protect structural steel against weakening in the intense heat of hydrocarbon fires and remain intact during explosions. It has all the official certificates and approvals needed for the UK and Norwegian markets. The material is claimed to be 25 per cent lighter than comparable materials and can be applied to full thickness, without the need for costly and corrosion-prone retention meshes.

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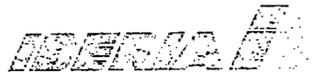
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Application has been made to the Council of The Stock Exchange in London for Notes in the denomination of A\$1,000 constituting the above issue to be admitted to the Official List. Interest is payable annually in arrear on 12th May in each year, the first such payment being made on 12th May, 1987.

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UK NEWS

Austin Rover forecasts higher European sales

BY JOHN GRIFFITHS

AUSTIN ROVER is strengthening its dealer network in West Germany and preparing to pay more than £2m extra in tariffs on exports to Spain as part of expectations that its European sales this year will increase by nearly 30 per cent, from just over 88,000 to 115,000. Its volume cars subsidiary could sell 40,000 cars a year in Spain and 10,000 a year in Portugal were it not for tariff and quota restrictions, according to Mr Jacques Muller, managing director of Austin Rover Iberica.

Despite the import constraints imposed by Spain under the terms of its accession to the EEC, Austin Rover will sell "at least 9,000" cars in Spain this year, Mr Muller said. It would also sell at least 5,500 units in Portugal. Last year, Austin Rover's Spanish sales totalled 4,300 units, while those in Portugal reached 5,500 units.

Under the transitional arrangements for Spain's EEC entry Austin

Rover had a 15 per cent share of a Community import quota to Spain by which cars are allowed entry on payment of a 17 per cent tariff. Austin Rover's share for the current year is 4,800.

Above this, imports are subject to a tariff of 38.4 per cent. Spanish-built cars including the Vauxhall Nova, enter the UK on a tariff of 3.4 per cent.

Sales will have reached 2,400 by the end of this month, Mr Muller said. Austin Rover's 40 Spanish dealers will be able to sell 9,000-10,000 cars, although they have price premiums of up to 20 per cent above those of other manufacturers who have production bases in Spain.

Paul, General Motors Peugeot and Renault are among Europe's volume producers who have Spanish plants, and can therefore largely escape the tariffs. Volkswagen/Audi recently acquired Seat, the Spanish volume cars producer.

Before Spain's EEC accession, Austin Rover waged a vociferous campaign to highlight what it saw as unfairness in the Anglo-Spanish motor trade.

Spain imposed its high tariffs in the early 1970s to protect its then-emerging motor industry, but has since expanded to the point where its production of about 1.2m units last year was nearly 20 per cent greater than that of the UK.

Mr Muller said it was now accepted that the transitional tariff arrangements could not be changed. But Austin Rover would fight, in negotiations due later this year, for a larger share of the total import quota for Spain's EEC partners.

Meanwhile, Austin Rover has set a target of increasing its West German dealer network from 200 to 350 units this year, in the belief that annual sales of 12,800 units are feasible.

Austin Rover is also forecasting a 31 per cent sales increase in France.

Goldcrest's Chariots of Fire 'myth' overturned

By Raymond Snoddy

THERE is a special place in the mythology of the British film industry for Chariots of Fire, the story of the plucky British Olympic runners, and Goldcrest, the plucky little British independent film company.

"The British are coming," said Mr Colin Welland, the scriptwriter, as he held up an Oscar at the ceremony in Los Angeles.

For Allied Stars, the film production company of the al-Fayed brothers, owners of Harrods, department store in London, it has all got a bit much. The company has won the bid to produce a film about the 1948 Olympic Games, but it is a bit of a myth, contrary to public perception, they invested £1m in the film, and co-produced it with Twentieth Century Fox.

Goldcrest put up "seed money" totalling £17,000. But because the film was produced by Mr David Pittman, a producer associated with Goldcrest, everyone assumes Chariots of Fire was a Goldcrest production.

"People honestly believe Goldcrest produced Chariots of Fire," says Mr Jack Wiener, president of Allied Stars. "This is not a vendetta, but we would like a little recognition now and again for our 50 per cent backing of a picture called Chariots of Fire."

Mr Jake Eberts, chief executive of Goldcrest, confirmed that the total Goldcrest investment in the film had amounted to £17,000 to develop the script. The company received that money plus interest and a fee - totalling £25,000 - before filming began.

So far, Goldcrest has received £205,000 return on its investment and his figure is likely to rise to £300,000.

Union opposes wages restraint

BY DAVID THOMAS, LABOUR STAFF

THE CONFERENCE of the 220,000-strong manufacturing union, Tass, yesterday voted for a resolution opposing incomes policy and wage restraint.

The resolution was passed unanimously, indicating the difficulties facing the Labour Party's leaders in convincing left-led unions like Tass to agree to an economic strategy which incorporates wage restraint.

Statements by some prominent union and Labour Party leaders have recently suggested the need for workers to exercise voluntary self-discipline over pay rises in order to boost employment and in-

crease the chances of Labour winning the next election. However, Mr Granville Clay, a member of the Tass executive, proposing the resolution, said: "If this union can do one thing to help win the next election, it's to tell the Labour Party 'no incomes policy'."

Mr Clay said increased wages created demand and therefore jobs. Wage restraint would lead to extra profits which would probably be invested abroad rather than in Britain.

The experience of past incomes policies showed that organised workers would not operate such a policy, despite what some union leaders were saying now.

People would not vote for the Labour Party if it was committed to an incomes policy, particularly the skilled workers, who always lose their differentials under a pay policy.

Instead, the union supported greater planning of the economy under a Labour Government.

"But if you can't plan society, don't plan incomes. It will lead to disaster," Mr Clay said. The shop workers' union US-DAW yesterday championed the need for a pay restraint, but the unions which would include wage restraint as part of an agreed package of economic planning.

New Issue April 29, 1986

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Coal Board reports best results for seven years

BY MAURICE SAMUELSON

THE NATIONAL Coal Board has ended its first full financial year since the end of the year-long miners' strike with a loss of £50m, its best financial performance for seven years.

Its loss compared with £87m in 1983-1984, the last full year before the strike, which ended in March 1985 and was £30m better than the board had forecast at the start of the financial year.

The board had expected to need £329m for its cash flow from the Exchequer in 1985-1986. But only £430m was needed.

Mr Ian MacGregor, announcing the preliminary results for 1985/1986, also warned that this progress might not be repeated in 1986-1987 because of the impact on coal prices of cheaper oil.

Mr MacGregor, whose three year chairmanship ends in August, said in future the NCB would trade in-

der the name "British Coal" rather than the name used since the industry was nationalised after the Second World War. But there is no intention to scrap the industry's legal title for the foreseeable future.

In a parliamentary written answer yesterday, Mr Peter Walker, the Energy Secretary, noted that the full support given to the NCB in the past financial year had been more than £1.4bn.

This had comprised nearly £700m in deficit grants; £212m in social grants; and £564m to finance the NCB's heavy redundancy programme.

But Whitehall officials did not dissent from the figures presented by Mr MacGregor and agreed with his interpretation of them.

The NCB has conceded it will have to cut prices to the electricity industry, its biggest customer, which is itself under pressure to re-

duce tariffs in the wake of the cuts announced by the gas industry.

But Mr MacGregor said the board was "still determined to succeed" in meeting the 1987/1988 break-even target set it by the Government.

Negotiations yesterday at the Central Electricity Generating Board (CEGB) involved an offer by the coal industry for a five-year supply agreement, which would include a steadily increasing tranche of coal shipped to cheaper foreign-produced coal.

The electricity industry believes its hand has been strengthened by a combination of factors in Parliament three weeks ago by Mrs Margaret Thatcher, the Prime Minister, that electricity users should benefit from cheaper fuel prices.

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Elders' bid move rejected by court

By Raymond Hughes, Law Courts Correspondent

ELDERS IXI, the Australian group that has made a £1.8bn (£2.8bn) takeover bid for Allied Lyons, the UK food and drinks group, has lost its legal battle to stop its confidential plans for financing a revised offer being disclosed to Allied.

The High Court in London yesterday dismissed Elders' plea for an order quashing the decision of Britain's Monopolies and Mergers Commission, to which the bid has been referred, to disclose the information to Allied. The bid has been frozen pending the commission's report.

Mr Justice Mann said the commission had acted correctly in subordinating the possible detriment to Elders of disclosure to its duty to investigate whether a merger of the two companies would be against the public interest.

Elders, which has interests in brewing, agriculture, finance and international trading, is to consider an appeal.

The judge said the commission believed it needed Allied's views on the proposed financing of a revised bid to enable it to carry out its investigation. It also thought that fairness to Allied required disclosure.

Allied's view was that, if it did not know what Elders was proposing, it might be dealing with "a moving target" and unable to make representations to the commission about the changed position.

Elders complained that disclosure of its confidential proposals, certain features of which were unique, would enable Allied to forestall a revised bid, which would be frustrated and undermined.

Disclosure would be unprecedented in any takeover situation in any market in the world, and might create a false market in the shares of both companies.

Elders argued that the commission had acted unfairly and taken insufficient account of the disproportionate harm that disclosure would cause to Elders.

The judge said the considerations of fairness had arisen in the course of a statutory investigation as to what was and was not in the public interest.

Prison staff to intensify dispute with national industrial action

BY PHILIP BASSETT AND PETER RIDDELL

PRISON officers will today begin nationwide industrial action for the first time in their dispute over manning levels. The Government said yesterday that it would implement contingency plans to counter the effect of the officers' action.

The executive of the Prison Officers' Association (POA) notified the union's branches at all 180 prisons in England, Wales and Northern Ireland - the first time action has been taken in the province - of its decision to intensify the action.

Full details will not become clear until today and may vary from prison to prison. But for the first time, it will involve all officers. It is likely to include a work to rule, action affecting the escort of prisoners to and from jails, and controlled unlocking of prisoners, which heavily disrupts prison regimes.

The executive decided not to press ahead yet with strike action,

although some executive members were forecasting that strikes in the service were now not far away.

One possibility is that the new action will take the form of a week-long ban on overtime. Mr Phil Hornsby, POA assistant secretary, described the action as "very severe" and forecast it would cause massive disruption in the prisons. He said there was an intention in the Home Office to render the union impotent and he made it clear the POA was not prepared to tolerate that.

Mr Eric Caines, director of personnel in the Home Office prison department, said that the most critical action would be if the officers called a strike - but the Home Office did not believe POA members would support such action. It could deal with a strike if necessary. In the House of Commons, Mr Douglas Hurd, Home Secretary,

said that the Government would take all possible steps to protect both prisoners and the public from the effects of the dispute. He made "a final appeal to prison officers to look at the package of proposals placed before them and to judge whether it is worth throwing that away by taking further industrial action."

A Home Office circular will be sent to courts and police today. It will suggest the adjournment of some critical cases and the refusal of immediate bail in others.

Mr Hurd said that the aim of the circular was to seek the understanding of the courts and to suggest ways of reducing the burden on the police. But he stressed that he was "not seeking to interfere with judicial decisions."

During questioning, Mr Hurd said he sympathised with a plea for introducing no-strike agreements

Gatwick's second terminal delayed

By Lynton McLean

THE BRITISH Airports Authority (BAA) is to delay the completion of the new £200m passenger terminal at Gatwick airport, London, by nine months "in the light of cash-flow forecasts for the coming year," the authority said yesterday.

The authority has had to reassess the priorities for its entire £550m current investment programme.

The first phase of the new north terminal at Gatwick was to have opened in June next year to cope with rapidly rising passenger demand and increasing congestion at the airport. The terminal is now likely to open in spring 1988, the BAA said yesterday.

The authority expects growing pressure on passenger traffic at Gatwick for the next two summers as a result of the delay. Airlines are likely to be asked to spread the daily peaks of flights, with possible disruption to timetables.

The authority has been hit by the increased severity of government financial targets for the current financial year and by falling growth rates and rising costs, which have put pressure on the authority's ability to stay within the government-imposed external finance limit (EFL). The BAA tries to fund a high proportion of its capital investment programme from its own income.

The EFL was set at £15m for 1986-87. This sets a ceiling on BAA's borrowings and is low in relation to the scale of capital airport projects which BAA has under way. In the previous financial year, the EFL was a minus figure, when the BAA had to pay the Treasury £21m.

The financial targets were set by Mr Nicholas Ridley, the Transport Secretary, earlier this month in readiness for the privatisation of the BAA.

The current investment programme at BAA airports includes the £290m development of Stansted in Essex as London's third airport, where work started on April 13, and the £70m refurbishment of terminal three at Heathrow airport, London.

The BAA opened its £200m terminal four at Heathrow earlier this month, but this project had no impact on the decision to delay the second terminal at Gatwick.

The new north terminal at Gatwick is designed to boost the airport's passenger handling capacity from 16m passengers a year to 25m

Murdoch delays deadline in print dispute

By Our Labour Editor

MR Rupert Murdoch's News International yesterday extended the deadline for the print unions to accept its printing plant and compensation offer to end its newspaper dispute. The move follows pressure from leaders of the BEEPU electricians' union.

Mr Bruce Matthews, NI's managing director, met Mr Eric Hammond, BEEPU general secretary, on Monday. BEEPU members form the majority of NI's workforce at its Wapping printing plant in east London.

The dispute with the print unions was caused when NI dismissed 3,500 workers for going on strike over the move to Wapping. NI is the publisher of the Sun, News of the World, The Times and The Sunday Times.

In a letter to Mr Hammond yesterday, Mr Matthews said he had contacted Mr Murdoch after Monday's meeting and he had agreed to extend the deadline.

Print unions now have until May 30, rather than May 7, to respond to the company's offer of its old Gray's Inn Road plant, plus £15m in compensation.

Stock Exchange and Isro near agreement

BY BARRY RILEY, FINANCIAL EDITOR

THE STOCK EXCHANGE and the International Securities Regulatory Organisation (Isro) are close to resolving their differences and are shortly expected to agree to set up a single regulatory authority for members of both organisations.

The proposals, drawn up after talks between the two bodies, will be debated at a meeting of the Stock Exchange Council on May 13. Mr Stephen Raven, a Stock Exchange Council member who has been active in a joint working party with Isro on the feasibility of an international equities exchange, said a merger of the two bodies would be "a tremendous step forward."

However, views of Stock Exchange members generally have not yet been canvassed. And Mr Jonathan Agnew, chief executive of Isro, emphasised that the two bodies were still some way from formal decisions.

The Securities and Investments Board (the new top regulatory body for the investments market) described the principle of a merger as an "admirable idea."

The SIB believes the best way of regulating the markets is to have

the minimum practical number of self-regulatory organisations.

Last year seven SROs emerged as candidates for recognition by the SIB, but already the National Association of security dealers and investment managers (Nasdim) has agreed to merge with the insurance and unit trust intermediaries body Lutro, and there is a possibility of a combination of the life assurance and unit trust companies' organisation, Lutro with Isro, the investment managers' body.

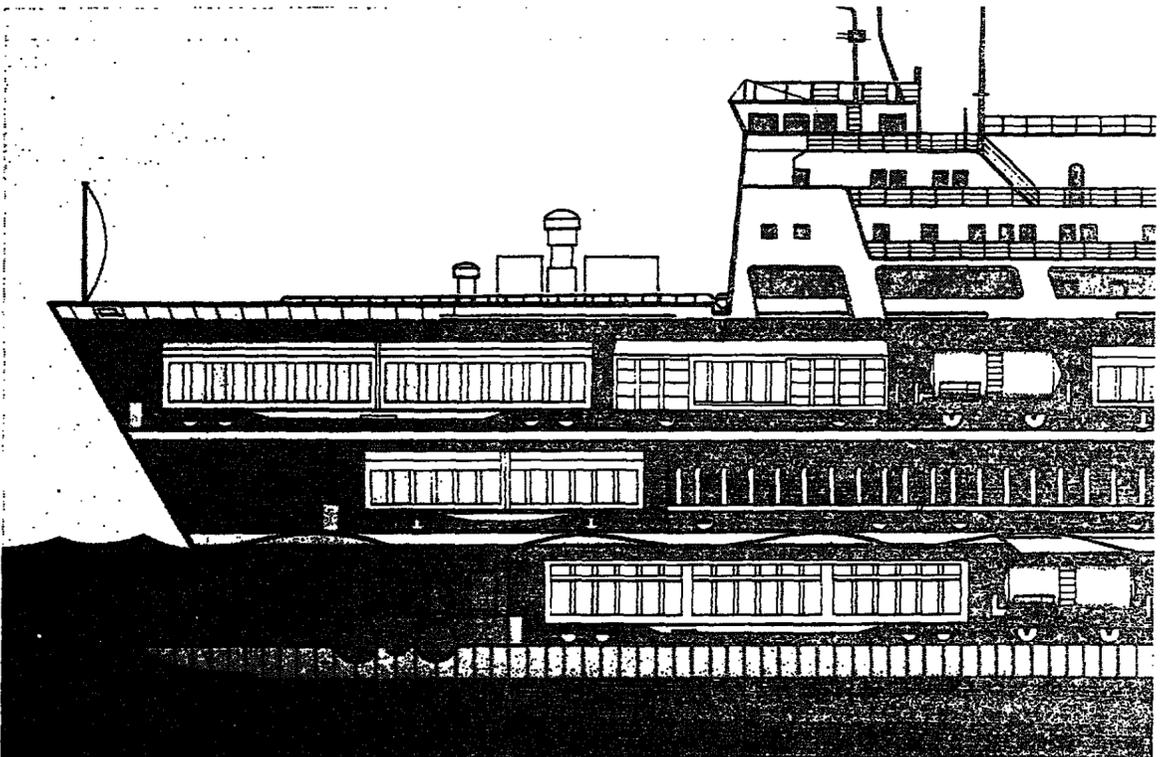
If the Stock Exchange/Isro merger goes through there could eventually be only four separate SROs.

Originally, there was some friction between the Stock Exchange and Isro, when last autumn Isro proposed to set up a rival international equities market in London, but the two bodies have sought to reconcile their differences and have set up discussions at two levels.

Mr Raven, from the Mercury International offshoot Rowak, and Mr Archibald Cox of Morgan Stanley, representing Isro, have headed a working party to study the possibility of an international equities exchange

Krupp engineering for excellence

Railship II, the world's biggest rail ferry - Krupp engineering from stern to stern.



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Twice weekly, the rail link sails for Finland: length 186 metres, speed 19 knots. The ferry is the work of three Krupp member companies*. Built by Seebeckwerft AG, the vessel is powered by Krupp MaK 21,462-hp engines and fitted with Krupp Atlas Elektronik radar and echo sounding equipment.

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*For more information on Railship II contact Seebeckwerft AG, Postfach 101240, D-2850 Bremerhaven 1.

UK NEWS

Eaton to move part of US pump production

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

EATON CORPORATION is to transfer production of some automotive pumps from the US to a new joint company it is to set up in the UK with the Hobourn Group of Kent, south-east England. The joint company will be based at Hobourn's existing factory at Strood in Kent and the venture is expected to create about 200 jobs over the next three years to add to the 500 already employed at the site. Mr Jim Omand, managing director of Hobourn, which the management bought from the Thomas Tilling Group in 1983, said yesterday that Eaton had decided to make the move because Hobourn's cost base was lower than that of the US factory - at Marshall, Michigan - and

had a proven track record through some years of making Eaton automotive pumps under licence. Eaton has a 15 per cent shareholding in Hobourn which the US group will give up to take 50 per cent of the new joint venture company, Hobourn-Eaton Steering. The US group's contribution to the share and loan capital will be £1.7m. The partners plan to launch the project this summer and to have a new production line fully operational in 1987. The new company will be responsible for the design, manufacture and marketing of a large range of power assisted steering pumps for all types of cars and trucks. Initially the range will include units already being manufactured by Hobourn under the Hobourn-Eaton name and under licence from Eaton, for cars and trucks. Production of some pumps for the truck market - an area in which Eaton claims market leadership - will gradually be phased out at Marshall as Strood builds up output. Eaton said that the change would "not make a significant difference" to its Michigan facility. Mr Omand said Hobourn had recovered since 1982 when it suffered pre-tax losses of more than £1m. Since the management buy-out, with assistance from St (Investors in Industry), in 1983, Hobourn's sales have increased by more than 50 per cent to £13.8m in 1985 and taxable profits reached £1.06m.

Cadbury division changes hands

By Lisa Wood

CADBURY SCHWEPPEES, the confectionery and drinks group, formally hands over its domestic foods and beverage division this week to managers who mounted one of Britain's largest buy-outs. The managers bought the division for £37m and plan to bring the company - to be renamed Premier Brands - to the stock market in 1990 with a capitalisation of about £70m on projected taxed profits of £7m. Premier Brands - whose products will include Smash, the Chivers range of jams and marmalades, Ty-Phoo tea and Cadbury's chocolate biscuit range - will have annual sales of about £300m. If will employ about 5,000 workers, who will be offered up to 15 per cent of shares when the company is floated. Cadbury Schweppes will also be offered a share option of 10 per cent in the business. Mr Paul Judge, former managing director of Cadbury Ty-Phoo, is to become managing director of Premier Brands. For the first few years there would be a high level of debt and it would be three or four years before the company could reinvest in new brands, he said. "Our brands, such as Marvel, are market leaders, but they are operating in mature markets and, over the last few years, there has been little investment in new products. The division did make money but it was spent in other areas. Capital investment was similarly affected, with some £100m spent on the confectionery activities compared with £25m on food and beverages. This year, the new company hopes to achieve an improved ratio of profits-to-sales by concentrating on products for which it sees a clear future and by trimming personnel through natural wastage. The original £32.5m management buy-out offer was raised after Allied Lyons, the food and brewing group, made an offer for the division.

EEC trade mark office sought

BY HAZEL DUFFY

THE BRITISH Government opened its bid yesterday to secure the proposed European Community trade marks office for London. If successful, the office would house the first permanent Community institution to be located in Britain. A brochure identifying four possible locations in and around London is the first step in a campaign which will extol the virtues of the City as a financial and commercial centre, and more specifically its tradition in trade marks.

Britain expects to face strong competition from other member states, particularly West Germany and the Netherlands. The European Patent Office, which includes seven EEC countries, is located in Munich and has a subsidiary office in The Hague.

The British Government's campaign has been launched before the European Commission's request for proposals on locations. Mr Geoffrey Pattie, Minister for Industry and Information Technology, said yesterday that when the proposals had been received, the Government would focus on a single site that would be the subject of a formal bid. The attractions in securing the trade marks office for London lie mainly in the indirect employment it would bring - about 250 would be directly employed, probably on a nationality quota basis - and prestige. Indirectly, it would give work to trade mark and patent agents as well as the legal profession. Unofficial estimates put the value of the

office to the British economy at about £10m annually. The Commission first put forward the idea of a Community trade mark six years ago. Its amended draft regulation is expected to be approved by the Council of Ministers by the end of next year. The Community trade mark will give protection under Community law, although a system of national trade marks will also be retained. Access to the Community trade mark will be extended to non-EEC companies and individuals, which could increase the attractions of London. North American, and to some extent Japanese, companies prefer to work with systems where the English language is used predominantly.

Company data service launched

BY GEOFFREY CHARLISH

COMPANY information will be supplied by a computer-driven voice over the telephone to Dun & Bradstreet subscribers in a service called Dunsvoice, launched in the UK by the financial data research company. Subscribers previously had to wait for mailed reports or become involved in conventional telephone conversations. They can now use a push-button multi-frequency tele-

phone to obtain the service, which covers over 1m UK companies and costs about £5 a time. After logging on with security and coding codes, subscribers can ask for the highlights of a company's financial position or can obtain more details in response to prompts from the voice. These include whether a company is considered able to pay a specific sum of money, how long it is

likely to take and whether there are legal problems. Dunsvoice uses specialised computers of the parent group in New York and the D&B UK database to assemble the answers from segments of text spoken by an actress and held on disk stores. The system takes a few seconds to respond while standard statements are completed with appropriate numbers and words.

Swedish partner

YESTERDAY'S article "Papermaker builds from basics" stated that the Swedish partner in UK Carrugat was Asa. It is in fact Svenska Cellulosa Aktiebolaget SCA.

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UK NEWS

George Graham reports on the CBI's latest industrial trends survey

Manufacturers regain optimistic outlook

UK MANUFACTURERS are now more optimistic about business prospects after seeing output stagnate over the last four months, according to the latest quarterly industrial trends survey carried out by the Confederation of British Industry (CBI).

The survey by the employers' organisation shows business confidence is back to the levels it reached early last autumn - after dipping when companies were last questioned in October and January - but still fails to match the buoyancy it showed last spring, when the falling value of sterling boosted order books.

The CBI says 21 per cent of the 1,588 companies questioned, are more optimistic about the general business situation, and a quarter expect output to rise in the next four months. Large companies, in particular, are more confident, especially in export markets.

The survey is the 100th carried out by the CBI since it was first introduced in 1955. It was conducted between March 27 and April 18, at a time when the pound stood at £1.47 and DM 3.44 - higher against the dollar and lower against the D-Mark than at the time of the January survey.

On the general business situation, two thirds of respondents said they were as optimistic as they were four months ago. While 31 per cent reported an increase in confidence, 13 per cent reported a decrease.

Companies employing more than 5,000 people showed the greatest turnaround. From a negative balance of 12 per cent in January they moved to a positive balance of 12 per cent. The most optimistic industrial sectors are electrical and instrument engineering, and paper, printing and publishing each with a balance of +21 per cent.

Output stagnated over the last four months as 21 per cent of companies reported higher production and the same proportion lower production. The largest companies reported a decline in output, with a balance of -22 per cent.

Four of the broad industrial sectors reported negative balances, including food, drink and tobacco, and electrical and instrument engineering. The fastest growth was reported in textiles and in metal products.

New orders over the last four months also stagnated, after declining slightly in January.

Prospects for orders in the next four months improved, with a balance of +18 per cent, compared to +9 per cent in January. The most positive sectors were electrical and instrument engineering and printing, paper and publishing, with balances of +34 per cent.

The balance of companies reporting their order books to be below normal worsened to -24 per cent, the lowest level since October 1982. Capacity and constraints to expand below capacity working was reported by 57 per cent of respondents

and has increased in each survey since the level of 45 per cent in July 1985. It is now at its highest level since April 1984.

The worst affected sector was metal manufacture, where 80 per cent of companies reported working below capacity. This sector had no companies reporting that their present fixed capacity was less than adequate.

The main constraint on output was, once again, a shortage of orders. The worst affected sector was metal manufacture.

Scarcity of finance is reported as a constraint by 8 per cent of the sample, with large companies - especially producers of motor vehicles and other transport equipment - worst affected.

Stocks of raw materials held by manufacturers fell again, as they did in January, but companies with less than 500 employees reported an increase in stocks. For the next four months, further falls in raw material stocks are expected.

The level of work in progress was stable. While the largest companies have in general reduced their work in progress, the metal manufacture sector reports an increase.

Stocks of finished goods were reported down over the last four months by a balance of -3 per cent, the same as in January.

A balance of +10 per cent expected to increase investment in plant and machinery over the coming year, an improvement from the low results of the last three surveys, but

still below the level reported between July 1983 and April 1985.

The largest companies were the most positive, with a balance of +18 per cent. All 12 broad industrial sectors expected at least to maintain investment levels, but 16 of the 50 individual industries expected declines.

Factors limiting capital expenditure have changed in importance, the survey shows. Now, 47 per cent report inadequate return on investment as a factor, compared with 41 per cent in January. Only 41 per cent report uncertainty about demand, compared with 49 per cent in January.

This is the biggest margin by which reports of inadequate return have exceeded those of uncertainty about demand since the question was first asked in October 1979, the CBI says.

Employment: Employment has continued to fall over the past four months, reported by a balance of -17 per cent - the lowest level since January 1984. The smallest companies reported a slight increase, but the largest companies showed a balance of 30 per cent with lower employment.

Over the next four months employment was expected to decline by a balance of 14 per cent, the same as in January. Only two sectors expected to increase their employment: textiles, and paper, printing and publishing.

Costs and prices: The number of companies report-

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Far East companies 'discussing plants'

BY IAN HAMILTON FAZEY

MORE THAN 2,000 new jobs are now in prospect in north-east England as a result of more inward investment from Japan and Hong Kong, the North of England Development Council announced yesterday.

The names of the interested companies are being withheld because of commercial confidentiality and competition from other development agencies in Britain and continental Europe. However, the council says they include "a major project" from Japan involving 1,000 jobs and a similar number from a Hong Kong textile company with "massive investment in mind."

In addition, a Hong Kong electronics manufacturer is looking in the north-east for a site for a factory, which would create 200 jobs.

In all cases, the companies have made several visits and had "substantial discussions," Mr Andrew Robinson, the council's development manager, said yesterday.

The companies have just been visited by the council's new chair-

man, Mr Septimus Robinson, on a Far East tour. Representatives of one company arrived in Newcastle upon-Tyne yesterday for more discussions. Others are expected in the next few weeks.

The council is capitalising on Nissan's decision to open a car plant in Washington, Co. Durham. Officials believe that this has done much to promote the North-east to other Japanese companies because Nissan would not have chosen the area without substantial research on its attractions.

There are now 12 Japanese companies in the area. Five Hong Kong companies have been attracted since 1983, and the council believes that its new office in the colony will see their numbers start to snowball.

Mr Robinson said yesterday that other negotiations close to conclusion were a Texas-based plastics maker with 50 jobs, a Danish chemicals company looking for a site where 200 would be employed and a French plastics concern with a 50-job project.

NUM's defiance 'has cost union £1.8m'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DEFIANCE of the High Court has cost the National Union of Mineworkers (NUM) nearly £1.8m, the court was told yesterday.

The figure came from a report by Mr Michael Arnold, the court-appointed receiver of the NUM.

It was agreed yesterday that there should be a court hearing, probably on May 14, to see how it might be possible to end Mr Arnold's 18-month stewardship of the NUM's affairs and return them to the control of the union.

Mr Justice Mervyn Davies, who appointed Mr Arnold in December, 1984, after ruling that the NUM's trustees were not fit and proper persons to control its finances, said he wished to see a speedy end to the receivership. However, there were still obstacles to that.

The main obstacle is an action started by Mr Arnold, a senior partner in City of London chartered accountants Arthur Young, last September.

He is claiming damages for alleged breach of trust against Mr Arthur Scargill, the NUM president, and other leading NUM officials and six banks, in connection with the transfer abroad of £2.5m of NUM funds shortly before the year-long miners' strike started in March 1984 in an attempt to keep them out of the court's reach.

That action is due to be heard in

January. It is generally accepted that Mr Arnold must remain in the saddle to pursue the case, and next month's hearing will try to resolve the procedural problem of how to achieve that and at the same time effectively end the receivership.

In his report Mr Arnold said it was still too early to count the final cost to the NUM of its defiance.

But, he said: "It must be remembered who is responsible for that loss. It was the leaders of the NUM who chose by their actions to visit enormous losses on the trust funds."

Mr Arnold reported that he collected £14.5m of NUM money, including £7.7m of the funds sent abroad, and in income earned by assets he had put on deposit and paid out £5.5m, which included £1.7m attributable to the receivership and the sequestration of the union's assets between October 1984, and November 1985.

The £1.7m was made up of: Contempt of court fine £200,000; UK legal fees in the receivership £595,430; overseas legal fees in the receivership £27,281; receiver's re-paid to sequestrators £435,806; foreign exchange losses £120,725.

Mr Arnold also said it appeared that at the end of last year the NUM was solvent, with a surplus of assets over liabilities of not less than £1.7m.



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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Why the Haniels rely on professionals

Peter Bruce continues his series on West German family companies with a look at a trading conglomerate with US interests

FREDERICK the Great, Prussia's 18th century warrior king, may have been eccentric—it is said that he used to touch up the red paint on his cheeks in the morning in order to appear fresh and healthy—but he also had a good business brain and encouraged the spirit of entrepreneurship among his subjects.

One such was Jan Wilhelm Noot, a businessman in Ruhrort (now part of Duisburg) where the Ruhr river joins the Rhine. In 1766 Frederick granted Noot the right to build a new home and warehouse outside the city walls, from which he established a small agency and transport business. Franz Haniel, Noot's grandson by his daughter Alotta Haniel, was born in the same home in 1779, and took over the business when he was 17.

Franz, by all accounts, was something of a whizzkid. He built up a river fleet to transport coal from the area, helped

build up the inland harbour at Ruhrort (it is now the biggest in the world), persuaded the authorities to expand their tiny railway network, and founded the smelting company that eventually became Gutehoffnungshütte (GHH), now Europe's biggest engineering concern. By the time he died in 1868 he had also pioneered early forms of welfare for his workers, including a savings bank and a small hospital.

Franz Haniel's modern descendants number more than 300 and they own a business with sales of DM 13bn (£4bn) a year, but which in many ways resembles the one he left behind. There is one important difference—the family has for several generations hired professional executives to manage the company.

Dr Hans Georg Willers, chief executive of Franz Haniel and Cie since 1981, likes it that way. He reports directly to eight members of the family headed



Franz Haniel (left): founder of a dynasty; and Hans Georg Willers: non-family chief executive

by Franz's most senior direct descendant, Klaus Haniel, elected to the company's supervisory board. "As long as the profits are good there are not too many problems," he says. Under Willers, Haniel's net income has risen from DM 64m in 1981 to DM 77m in 1984 and, with the family taking no more than 25 per cent of that for themselves, he has had reasonable scope both to make acquisitions

and to make mistakes. Turnover, DM 6.3bn in 1981, was more than doubled.

In a way, Willers has been lucky. After the war, and true to tradition, Haniel continued rapidly to switch its attentions to new opportunities when they arose. In the late 1960s, just ahead of the oil crisis, Haniel sold off one of the biggest petrol station networks in West

Germany and used the money to buy a one-third stake in the Metro wholesale supermarket chain. In the mid-1970s the family, keen to buy something in the US, acquired Scrivner, America's fourth biggest food retail and wholesale group.

"Metro wasn't planned," says Willers. "It was luck. Scrivner was the first strategic purchase. The important thing about Scrivner, borne out by the acquisition conditions set out by Haniel's consultants, McKinsey, was that it fitted almost exactly the group's traditional expertise—buying, selling and transporting but manufacturing nothing.

The Metro and Scrivner purchases, along with the acquisition in 1973 of one of West Germany's biggest pharmaceutical wholesalers, Gehe and Co., shape Haniel today. Since taking over as chief executive Willers has radically decentralised the group—"you get better people that way," he says. "They enjoy the work more."

Last year, with the family's permission he bought 100m shares of the company, buying one of Europe's biggest 24-hour parcel delivery services,

A passion for tradition

KLAUS HANIEL appears to be one of that ever-dwindling number of people who, if they had their life over again, would not change much. The war years, especially being a prisoner of the Russians and then the Czechs, would certainly not hurt him but the Czechs obviously did. "You quickly realise how thin the layer is," he says, "that divides man from animal."

Klaus Haniel is 70 and the senior living descendant of Franz Haniel, his great-great-grandfather. Klaus heads the Haniel family, all 240 of them, and he does so with a very unfashionable passion for tradition. He started his working life as a miner—well, he studied mining in Aachen and did a year underground before beginning a rapid rise through to top management in the family mining business, Rhein Preussen.

This was followed by an appointment to the supervisory board of the Gutehoffnungshütte (GHH), today Europe's biggest engineering company, in which the Haniels had an 80 per cent

stake up to the war. Klaus eventually became chairman of the GHH supervisory board and was also asked to join the board of Thyssen, the West German steel and engineering group.

At about the time he became chief of one of the big Haniel mines, and conscious of tensions that had developed among some family branches of his father's generation and threatened briefly to damage family unity, Klaus Haniel began to meet informally with three other family members he knew and respected. Together, the four, none of whom necessarily had a particularly large stake in the Haniel empire, came to form what is now quite obviously the key decision-making body in the group.

Klaus Haniel calls it "the small circle"—it expanded to eight about six years ago. The rules have remained the same. No-one is there by right, only on merit. And neither are they all family. One man, a lawyer, administers the wealth of one of the Haniel widows. They meet about once every two months and will often ask



Klaus Haniel: current head of a 240-strong family

down by Klaus Haniel's great grandfather—that management and capital (the family) be strictly separated to avoid conflict. The small circle voted last year to sell off the last holding in GHH—Klaus Haniel was outvoted by what he calls "the youngsters" who thought he was being sentimental by wanting to hold on to a GHH stake.

Haniel's holdings in GHH had slipped by that time to below 10 per cent, largely because the family had declined to participate in a number of capital-raising exercises over the years. Still, the final parting must have been hard for Klaus Haniel, just as it had been in the late 1960s when the family sold off Rhein Preussen, his old stamping ground.

Normally, German companies make do with a supervisory board (on which shareholders and workers and sometimes creditors are represented) to oversee management, but Haniel, in addition to the small circle also has a beirat, an advisory council of 24 important shareholders who also make up the shareholder (in this case, family) side of the supervisory board. The beirat has

little to do with business detail. It would have been consulted on the move to the US. It is also consulted on dividend payments but is limited by an unwritten, though "iron" rule, according to Klaus Haniel, that at least 75 per cent of company profits are ploughed back into the business.

Sentimentality aside, that provides Klaus Haniel with what is probably his strongest argument for keeping the business in the family and for avoiding going public. "As a public company we would never succeed in holding dividends to 25 per cent," he says, and, besides, "I fear that the moment we go public the family would fall apart."

The danger always is, however, that the family could grow so large as to become unmanageable. Klaus Haniel says he goes to a lot of trouble to maintain family unity. The Haniel youth are invited to a bi-annual meeting and are encouraged to be inquisitive about what is being done with "their" company. Some of their questions, he says, are very uncomfortable. For the moment, that is good news.

Management abstracts

How Large Commercial Banks Manage Product Innovation
F. A. John + P. Harborne in *The International Journal of Bank Marketing* (UK), Vol 3 No 1 (184 pages).

Reports a study of how some large banks competing for cash and treasury management services develop new products; suggests that successful banks use managerial structures and practices strikingly more efficiently than less experienced banks, inter alia, ensuring that specialised personnel are in regular contact with the market.

Technological Development and the Board
S. Wilder in *Long Range Planning* (UK), Aug 85 (8 pages).

Argues that, in an organisation bent on technological innovation, the board of directors must include a dedicated "new business director" who oversees a "product champion" (or two or more). The board's role should be supervisory, choosing which technologies should have support, establishing or curtailing new ventures, and—indivisually—giving support in specialised functions.

Women and Men as Colleagues
H. H. Solomon + A. Cramer in *Management Education and Development* (UK), Summer 85 (14 pages).

Discusses the barriers that women managers and professionals in organisations have to overcome if they are to be accepted—not merely as peers—but as colleagues; trust, dependability and social acceptability; discusses manifestations of such and offers hints for women on ways of breaking down the barriers—through management training or self-development—to compete successfully as equals.

Bettering the Odds on a New Venture
Management Practice (USA), Spring 85: (31 pages).

Uses a case study to illustrate an approach to new venture modelling—in this case, new product development by a pseudonymous consumer goods manufacturer; examines performance/growth potential and identifies areas of distinctive competitive competence, determining new venture programme objectives to fit the company's strengths, and creating a "screening model" against which product extensions or acquisitions could be tested. Indicates key activities and end products in each stage of the process.

Involving Employees
H. von Werra in *Management Zeitschrift* (Switzerland), Feb. 85

(4 pages, in German, English version available).

The president of a group of companies principally engaged in making machine tools (Sprecher + Schuch AG) stresses that much can be achieved by involving the employees in unconventional ways: two instances are described in detail one of which necessitated totally ignoring the hierarchical structure of the group.

Management of the Arts, A. van de Vliet in *Management Today* (UK), July 85 (9 pages).

Looks at a view of arts managers as unprofessional, excitable, inefficient crisis managers; discusses findings—at least in major houses—(Royal Opera House, Royal Shakespeare Company, Victoria and Albert Museum) effective hard-headed management. Examines the difficulty of balancing financial and artistic objectives with market realities; stresses the need for "targetted funding" through Arts Council grants, and points to the return on subsidy through, e.g. VAT, export revenue and tourism.

Organisational Learning
W. Bennis + B. Nanus in *New Management* (USA), Summer 85 (7 pages).

Defines organisational learning as the process by which an organisation, at all levels, obtains and uses new knowledge, tools, "behaviour", and values. Looks, as an example, at the process taking place at AT&T (telecommunications) following its restructuring; examines the role of the chief executive in encouraging and rewarding learning behaviour, and how innovative learning should be organised.

The Fast Track May be Hazardous to Organisational Health
P. H. Thompson + others in *Organisational Dynamics* (USA), Spring 85 (13 pages).

Suggests that the management development strategy of moving and promoting a selected group of managers rapidly through a variety of positions (putting them on "the fast track") is creating serious difficulties in many companies. Identifies seven main drawbacks (such as concentration on short-term results, lack of continuity, and too great a concern for personal visibility), and outlines alternative strategies that match individual/organisational needs more closely.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of \$4 each (including VAT and postage) from Anbar, PO Box 23, Wembley HA9 8JZ.

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30th April, 1986

التجارة العالمية

THE ARTS

Television/Christopher Dunkley

Monarch of all who survey her

Nearly four centuries after the fundamental shift in British power from monarch to Parliament...



The Queen and other members of the royal family enjoying a popular walkabout

There are, I suppose, half a dozen overlapping answers, with Britain's class consciousness predominant...

advanced together and today, I would guess, the British royal family is more secure and popular than it has been for a thousand years...

ing the mystique. Programmes in the last couple of weeks have brought out vividly the difference between the coverage of royalty before and after Cawston's film.

could learn to do it—but you do have to learn, and the Queen and her family have learned. Royalty carried interviews with Anne, Philip and Charles...

less tradition, stability, confidence, and continuity. Remembrance may appal us today as they never have before...

Parliament, on the other hand, now comes across as less impressive than at any time in living memory, and perhaps longer. Again there are probably several reasons...

The Snow Queen/Birmingham Hippodrome

Clement Crisp

Trapped inside the all-too-generous three acts of David Bintley's new Snow Queen there is a good one-act ballet. It is called Le Baiser de la Reine...

of winter and introduces a great deal of peasant joviality and a little boy, Kay, and his mother who are befriended by the parents of a little girl, Gerda...

It would be a pleasure to report on this work with the unrestrained admiration I felt for Mr Bintley's earlier Swan of Tuonela as an extended narrative. Alas, I find its reliance upon a tenuous dramatic scheme...

Tosca/Covent Garden

Rodney Milnes

The 14th season of Midland Bank-sponsored Proms opened glowing with a revival of Puccini's supposedly fail-safe melodrama, much enjoyed by the audience but not, in truth...

attentive orchestra, but it is not, I think, what Puccini's glowing little opera is really about. The Russian soprano Natalia Troitskaya was making her British debut in the title role...

dossi. There may be little consistent subtlety to his phrasing or his acting, which is economic and direct, but he does have a middle register and such effortlessly ringing top notes...

Ballroom/Stratford East

Martin Hoyle

Robert Pugh's new play is described as "humour and intrigue in the Welsh valleys". It is a hilarious comedy of nearly two hours...

unable to remember what his characters are from scene to scene. The evening's chief interest lies in nuzzling wondering how much further the playwright can protract his rambling doodles...

Baudo's Berlioz/Festival Hall

David Murray

Berlioz's Roméo et Juliette remains a great missed opportunity for Covent Garden, with its odd amalgam of full-blooded opera for Friar Laurence and Montagues...

and "Premiers transports" audibly and plangently. Jules Bastin brought so much frank character to the good Friar's final admonitions that one forgave his informal rhythm and a habit of running ahead of the music...

English Brass/St John's

Andrew Clements

The Albany Brass Ensemble has been reborn; the personnel are unchanged but they have broadened their horizons and now call themselves the English Brass Ensemble...

John Harle's unoppressing Miles and Miles for brass and percussion, an engaging fusion of jazz gestures with a fully worked out and tightly organised formal plan.

Booker Prize judges

Healey and Bernice Rubens

One of the regular fiction reviewers for the FT's Saturday books page, Isabel Quigly, will be judging this year's Booker McConnell Prize for Fiction...

This is the first time in the history of the award that women have been so strongly represented on the panel. The short list of six titles will be announced in the middle of September.

The previews of the musical Chess have been postponed by a few days. Instead of the scheduled try-out from today, the play will be written by Tim Rice...

Arts Guide

Arts Guide

Saleroom/Antony Thorncroft

Hatcher's bonanza

April 25-May 1

The Christie's sale of Captain Hatcher's finds from the South China Sea proceeded apace at Amsterdam yesterday, yielding another \$263,988 in the morning session...

of Captain Hatcher's associates in the recovery of the wreck. The constant saleability of paintings of game birds was confirmed at Christie's yesterday...

The Christie's sale of Captain Hatcher's finds from the South China Sea proceeded apace at Amsterdam yesterday, yielding another \$263,988 in the morning session...

The Christie's sale of Captain Hatcher's finds from the South China Sea proceeded apace at Amsterdam yesterday, yielding another \$263,988 in the morning session...

Notice of Redemption

W. R. Grace N.V.

14% Guaranteed Notes due June 1, 1989

NOTICE IS HEREBY GIVEN that pursuant to the provisions of Section 1001 of the Code dated as of June 1, 1987, the "Indenture" among W. R. Grace N.V. (the "Company"), Indenture dated as of June 1, 1987, (the "Indenture") and Citibank N.A. (the "Trustee")...

W. R. Grace N.V.

By: CITIBANK, N.A., Trustee

Dated: April 30, 1986

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States may be required by the Internal Revenue Code and Dividend Tax Compliance Act of 1983...

Theatre

NEW YORK

A Chorus Line (Shubert): The longest running musical ever, Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as medicine rather than emotions...

CHICAGO

Happy Days (Goodman): The Goodman company celebrates Samuel Beckett's 80th birthday with the playwright's bleak view of the world, interpreted by the Roman-ian-born director, Andrei Belgrader...

THEATRE

TOKYO

West Side Story: The Japanese version of Shubert Company, Japan's leading musical production company, best-known for their Japanese City, Dancers by Etsa Asari, Mitsuo Gekko, Hibuya, (503.3111; 220.4100).

LONDON

Lead Me A Tender (Globe): Fresh and inventive operatic fare by new chorists under Ken Ludwig set in Cleveland, Ohio in 1953. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Veda Hille's Ocella carries the show (437.1822).

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF
Telegrams: Finatime, London PS4. Telex: 6954871
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Wednesday April 30 1986

Disaster at Chernobyl

THE NUCLEAR accident in the Soviet Union is emerging as a tragedy for the Ukraine and for the ideal of the safe and peaceful use of nuclear energy around the world.

The failure in March 1979 of the reactor at Three Mile Island in the US led to a moratorium on nuclear power plant construction in the US and heightened inhibitions towards nuclear energy everywhere. Yet even after Three Mile Island it remained possible to insist that no-one had been hurt by problems in an atomic power station and that the safety systems had just held.

The disaster at Chernobyl has broken new ground. People have been killed. An uncontrollable fire is raging at the power plant. Nuclear fuel has boiled into the atmosphere. Radioactivity has been wafted thousands of miles into neighbouring countries. The dreaded melt-down of the fuel-core, which fail-safe systems are meant to make impossible, has apparently occurred.

Special case

There was a lack of candour in the early stages of the emergency at Three Mile Island and this secrecy, even if due mainly to disorganisation and uncertainty, did the US nuclear industry's image no good at all. Yet it was nothing compared with the official obfuscation that has surrounded the events in the Ukraine. It took the atmospheric sensors of the Scandinavian countries to blow the whistle, and even then Moscow did not come clean.

As the fire in the reactor has taken hold, the Soviet Union has been driven towards an openness born of desperation. Sweden and West Germany have been asked if they know how to fight such a thing. But this call for help comes far too late. Anyone with doubts about nuclear power has noted that a government guaranteeing nuclear safety has first tried to dissemble and then had to admit its impotence. The Soviet Union this time. Who next?

The Soviet Union who next? A special case when it comes to lack of honesty and this was a special reactor, part of the function of which was to produce nuclear power for military use. But this makes the disaster only a more extreme example of a general truth. The safety of nuclear power stations is governed by national rules and engineering customs, yet the consequences of faulty design

Open discussion

Chernobyl is moreover a dramatic test of Mr Gorbachev's good intentions. Will the traditional Soviet aloofness and the great secrecy prevail, both within and within Russia? Or will there be a new openness, reflecting the way nuclear energy has become vital for the western regions of the Soviet Union, just as it is for western Europe, and the great importance of sustaining public confidence in it?

So far, this test has not got off to an encouraging start. The Chernobyl accident appears to have made a reality of the "worst case scenarios" that nations must accept if they opt for the many advantages of nuclear power and to use the crisis at Chernobyl and very open discussion of its special causes and implications for nuclear power to remain politically acceptable in much of the western world.

The oil price threat to coal

MR IAN MACGREGOR, the National Coal Board chairman, did his best yesterday to play down the consequences for his industry of the collapse of oil prices. Customers, he remarked, should realise that there was no possibility of a "melt down" at the NCB which, he said, would henceforth be known as British Coal (the sort of name that inspires hopes of privatisation).

In spite of the closure of 27 collieries which could no longer produce profitably, a 20 per cent reduction in manpower and a substantial improvement in productivity, British Coal's future still does not look untroubled. While the NCB has been struggling to achieve a cost base which would have generated profits in 1984-85, the price of oil has fallen by about 50 per cent. The challenge now is not merely to match the productivity of foreign coal producers but to remain competitive against other sources of energy.

The fall in the oil price has accentuated an old problem: how to ensure that coal is treated as far as possible like an ordinary business. Most industries—from textiles to electronics—frequently face changes in the price of competing products. To stay profitable, they have to respond flexibly to changing market pressures.

The UK coal industry, however, will remain insulated from commercial realities until its biggest customer, the Central Electricity Generating Board, is given more freedom. The CEB should be able to choose between domestic coal, foreign coal and oil on their economic merits, which are presumably price and security of supply. There is nothing wrong in British Coal pointing out that petroleum is a finite resource and that its price is bound to rise; this is a consideration any energy consumer should bear in mind. The point is that the CEB should be able to make an unfettered assessment of competing energy sources.

If this were possible, there seems no doubt that British Coal would either have to

NEPTUNIUM was the clue which told the Swedes on Monday that the radiation drifting across their country had come from an accident in a reactor rather than from a nuclear weapon test. Neptunium is a short-lived step in the transmutation of uranium into plutonium, something that takes place in every reactor fuelled with uranium.

After initial denials that anything was wrong, Moscow was obliged to admit that there had been an accident to a reactor at Chernobyl, north of Kiev in the Ukraine. Radiation released had been blowing north-west towards Finland and Sweden and, yesterday, was drifting away to the north of Norway.

By yesterday morning, the full horror was beginning to emerge. The Russians asked the Swedes then the West Germans for help in fighting a fire at Chernobyl. The Swedes already knew that the radiation they were receiving contained a full spectrum of nuclear fission ingredients, including uranium, which suggested a very hot fire. The fuel at Chernobyl is a ceramic, uranium oxide, with a melting point of the order of 2,865 degrees C. It has been fused and then vaporised by a baroque of thousands of tons of blazing graphite (known as the moderator) forming the core of the reactor. No one in the world, so far as is known, has experience of fighting a nuclear fire of this ferocity.

Chernobyl is the site of four units of a type of reactor unique to the Soviet Union, designed originally as a dual-purpose reactor to produce plutonium for nuclear weapons as well as electricity. This reactor is known as the RBMK, which stands for a water-cooled, graphite-moderated system. The PWR is the dominant reactor in the West and the reactor of choice among developing nations. Britain has taken the Westinghouse version of this reactor as the basis of its "British PWR" design proposed for Sizewell in Suffolk. But the PWR has also suffered a serious meltdown accident at Three Mile Island in 1979, although no one was injured physically by it.

The presidential commission which investigated this accident concluded that while equipment failures initiated the event, the fundamental cause of the accident was 'operator error.' It pointed out that, had the operators maintained emergency core cooling throughout the early stages of the accident, it would have been merely a relatively insignificant incident. Instead, seven years later, they are still trying to clean up the radioactive mess.

The RBMK owes its origins to the US plutonium production reactors built at Hanford in the far west of the US during the Second World War. They comprised a massive pile of graphite moderated by rods of uranium to be transmuted by nuclear fission into plutonium. The whole edifice was cooled by the Columbia River; cold, clean water that flowed through a network of cooling channels in the core.

When, after the war, Britain sought to make its own plutonium it was concluded that this reactor concept was too risky for anywhere on a congested island closer than the Western Isles of Scotland. The military authorities settled instead for an air-cooled, graphite-moderated design of plutonium production at Windscale in Cumbria. Ironically, it was one of these piles which suffered the first major nuclear accident, when its graphite overheated and caught fire to 40 tonnes of uranium in 1957.

The Soviet progenitor of the RBMK is the SMW Obninsk reactor, claimed by the Russians as the world's first nuclear power station. It was coupled to the Moscow grid in June 1954, a year before the UK's much bigger Calder Hall station produced power.

Over the last three decades, the Russians developed their Obninsk reactor in a series of steps—100, 200, then 1,000 Mw. They have built at least 14 RBMK-1000 units, first near Leningrad, then Kursk, Chernobyl and Smolensk. They have also commissioned the first RBMK-1500 at Ignalina, and talked of plans to expand to a 2,400 Mw unit.

The Soviet Union, from the 1950s, planned two arms to its nuclear power programme, one based on Obninsk and the RBMK, and the other on the Russian version of the pressurised water reactor, developed initially for its nuclear submarine programme. The two arms were intended to advance in step, but the RBMK easier to manufacture, and it drew ahead in installed nuclear capacity. The PWR is now catching up.

But the RBMK is a modular system, in which the high-pressure core of the reactor is sub-divided into a large number of relatively small pressure tubes, each in its own pressure vessel, as in the PWR. The modular design gives the RBMK a high degree of flexibility as a plutonium production reactor.

To make the purest plutonium, the easiest kind from which to make nuclear weapons, uranium is "cooked" in the nuclear furnace for only a matter of weeks. The modular design allows each pressure tube to be tapped for plutonium independently. Such a reactor can be operated to produce optimum amounts of plutonium or power, or for some combination of the two outputs.

The facility for making pure plutonium had one important consequence for Russian nuclear policy. As a founder-member of the International Atomic Energy Agency (IAEA), along with Britain and the US, the Soviet Union was always staunchly in favour of discouraging the proliferation of nuclear weapons.

Its export policy for nuclear reactors permitted the sale of graphite moderated reactors to East European countries and (in the case of Finland and Cuba) further afield. But it forbade the export of the RBMK.

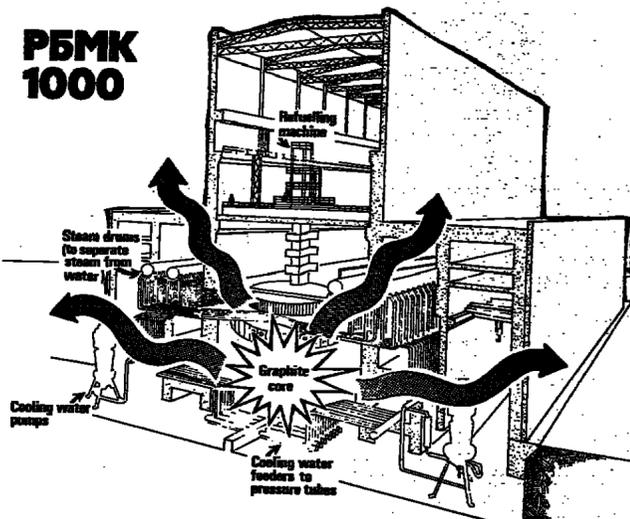
Not only has the RBMK not been exported, the Russians

THE CHERNOBYL MELTDOWN

Russia's dangerous secret

By David Fishlock, Science Editor

P5MK 1000



Those I spoke to yesterday about the problem of fighting a major fire in such a reactor expressed nothing but horror at its magnitude. No one had any ideas

have not been very forthcoming with technical data about their design. Moreover, when in 1984 they were discussing opening their nuclear plants for the first time to safeguard inspectors from the IAEA, they made it clear to the chief safeguard inspector that he would not get access to the RBMK.

A decade ago, however, when Britain was discussing the design of a commercial pressure-tube type of reactor, called the steam generating heavy water reactor (SGHWR), a team of British nuclear engineers led by Mr Jim Stewart and Mr Ron Campbell visited the Leningrad RBMK-1000 reactor. Mr Campbell, now managing director of Babcock Power, then concluded that the RBMK was "more similar to SGHWR than is any other reactor"; the only major difference being that graphite is used instead of heavy water as the moderator. Otherwise, operating conditions for the primary reactor circuit and fuel cladding are made of zirconium; the fuel itself is uranium oxide, of about 2 per cent enrichment.

In the RBMK the pressure tubes, each containing a fuel assembly, pass vertically through a pile of graphite bricks. Pumps circulate pure water up through these tubes to carry away the heat of nuclear fission to the steam-raising plant, as the sketch indicates.

The two reactor types ran under almost identical conditions: 70 bar (atmospheres pressure) and 288 degrees C. In the event, Britain abandoned the SGHWR as too expensive to engineer safely, compared with the alternatives of the British advanced gas-cooled reactor and the US PWR. To meet the safety standards set by these two, the SGHWR would have required an incredibly complex weave of pipework to ensure that every pressure tube could be purged with emergency core cooling if it should lose its main coolant supply.

Mr Stewart, chairman of the British Nuclear Forum, says he believes the Russians had neglected to make the emergency cooling provisions demanded by the British nuclear inspectors. He also points out that a problem first encountered by the Americans at Hanford was how changes in the graphite pile through irradiation could crush tubes and choke off the flow of coolant.

Graphite when irradiated stores up energy to a point where it is spontaneously

released—the so-called Wigner release. Britain learned to control its effects by regularly annealing the graphite in its earliest experiments.

But it had not learned enough by 1957 to prevent the consequences of a Wigner release of energy setting fire to the graphite core of a Windscale pile.

The fire was finally extinguished by the decision of Windscale's director of operations to turn hoses on the inferno, at risk of cracking the concrete box around the pile, and releasing a much bigger cloud of radiation. The alternative was to let the fire burn itself out.

Whatever the cause of the fire at Chernobyl, the scale appears to be much greater than Windscale. The fuel is a ceramic with a melting point close to 3,000 degrees C. It must have melted for uranium to be falling upon Scandinavia. The reactor contains about 190 tonnes of this fuel, buried in 1,700 pressure tubes across the graphite core. It is reasonable to assume that there is already a substantial pool of molten fuel present—truly a reactor meltdown.

Boiling off this molten pool will be the plutonium (melting point only 640 degrees C) and highly radioactive fission products; the detritus of nuclear power production.

The Russians were confident enough of the integrity of their reactor designs to use no pressure containment—in effect, a pressure vessel enveloping the entire primary circuit of a reactor for many years to retain emissions in the event of a reactor accident. Not until they scaled up to 1,000 Mw PWRs did they introduce a containment for this reactor. Their policy is to site the big reactors 40-50 kilometres from major population centres.

Those I spoke to yesterday about the problem of fighting a major fire in such a reactor expressed nothing but horror at its magnitude. No one had any ideas.

The Russians categorise a nuclear accident of the severity of this fire as a "maximum possible accident." Their safety precautions include arrangements for decontaminating anyone who may have picked up radiation on his clothing or skin (and a contaminated worker was found in Sweden on Monday, 1,000 miles from the fire). They also have arrangements for the distribution of iodine tablets, the only effective prophylactic measure against radiation which can be taken by mouth.

The point of the iodine is to saturate the thyroid gland of the body's iodine, and prevent it absorbing radio-active iodine-131, an easily vapourised fission product released in a meltdown of nuclear fuel.

The most urgent priority must be to extinguish the Chernobyl fire, by means that minimises any further damage. Then the international community will be asking hard questions of Moscow about its obligations to neighbouring states and why it tried to conceal an accident with manifest far-reaching consequences.

Even by yesterday morning—perhaps as long as three days after the outbreak—the IAEA in Vienna had been given no information beyond the bare fact that there was an accident.

For the Soviet Union itself, it raises the initial question whether the cause of the fire was a fault in design which might be repeated, such as a failure of coolant to one of the tubes, or an accident while fuel was being changed. The answer could have repercussions for an electricity supply system which gets perhaps 6-7 per cent from this one type of reactor, not to mention its role in nuclear weapons.

But the gravest question of all that Moscow must face is whether the kind of containment required in nuclear installations in the West could have prevented radiation from spreading so far from the fire.

Best of British Coal

With less than five months to go at the National Coal Board, Ian MacGregor yesterday spiced any temptation among his critics inside and outside the industry to write him off as a lame-duck chairman.

Choosing what could be a brief "weather window" between the miners' strike and the start of the market, he announced that the NCB is to operate under a new name, and that henceforth he prefers to be known as the chairman of British Coal. To emphasise the



"Where am I? When I went down it was called National Coal Board"

point, he unveiled the new logo, riddled out in the NCB's present colours of blue and yellow.

Since the board produces only British coal, he said, it has greater right to use such a title than, say, British Gas, which sells its customers a lot of Norwegian gas. It had nothing to do with eventual plans to privatise the coal industry.

The idea will appeal most to the NCB's hard-pressed marketing department, worried about the huge tonnages of cheap

Men and Matters

foreign coal lapping round Britain's shores. It is a warning has for the past two years been exhorting customers to "switch to British coal."

Striking an economical note, Norman Woodhouse, the NCB FR director, said the cost of the switch is not being met, but that it would be carried out as cheaply as possible. Lorries would only be re-labelled when they were due for a repaint.

And all this NCB note-paper would be used.

There would be no change in the NCB's official name, laid down at the time of nationalisation in 1947. Such a change would require legislation.

Even MacGregor, it seems, has his limits.

Jordan's style

Bill Jordan, elected yesterday president of the engineers, Britain's second largest union, smiles with amusement at the way the Fleet Street tabloids pin on the labels. He has got used to being known for "his boyish looks" and as a "50-year-old straggler."

The former shop steward, who left school at 15, does not need Saatchi and Saatchi to handle the media. As the right-winger with the radical ideas he has enjoyed a natural rapport with the press throughout his campaign.

At his Birmingham headquarters he faced the glare of the television cameras to sidestep politely what he clearly regards as trivial questions—his style of leadership, and how he would respond on the Terry Wogan chat show.

Questioned about his leisure interests he responded straightforwardly: "If the press is to be believed I vary rarely step foot outside the Royal Shakespeare Theatre—a reference to his

much-publicised love of English leading wordsmith.

But before the laughter had died down Jordan was delivering yet another speech about how management had to respond to change, the needs of the 21st century, and the challenge of the 21st century. Even his critics acknowledge he will bring a new style to national trade union leadership.

Still together

Spring was in the air yesterday when Joao Hall Themido, the Portuguese ambassador in London, launched an eight-month programme of events to mark the 600th anniversary of the Anglo-Portuguese alliance.

The oldest unbroken alliance in Europe was secured when 500 Welsh longbow men helped the Portuguese rebuff an invasion by Spanish troops in 1386. Its effect was still felt 300 years later when Catherine of Braganza became Queen of England following her marriage to a restored Charles II.

The Portugal 600 programme will have as its highlight a Thanksgiving service on May 12 in St George's Chapel, Windsor, in the presence of the Queen, President Soares, and the Portuguese prime minister, Anibal Cavaco Silva.

With Portugal now a member of the European Community the modern relationship is mainly about trade. The old ally was able to boast last year of a £257m trade surplus with Britain. The London celebrations will include seminars on investing in Portugal, and the merchandising in Britain of Portuguese goods.

The commemoration programme nearly didn't make it. Only a last-minute scramble by

various Anglo-Portuguese associations saved the entire programme from meeting the fate of the Spanish Armada, which happened to assemble at Lisbon.

"If we had missed this year we would have had to wait another century," said one of the organisers with relief.

Jets age

I cannot think of a nobler cause, or one further removed from the grubber aspects of modern living, than the newly-formed Fountain Society (already blessed by the Prince of Wales, its first president).

Rolling up its collective sleeves the society tells me that a high jet is needed in the centre of Parliament Square, London, "classic, strong, and dramatic"; that the Duke of York's Steps will be nothing without a cascade down three levels of steps with supportive fountains and sculpture; and that there should be three splendid jets soaring to the skies in Park Lane.

A "cascade rather than a fountain" is proposed in a Byzantine sculpture setting outside the Roman Catholic Westminster Cathedral. Whereas a French classical jet is thought appropriate for Grosvenor Gardens, outside Victoria Station, to provide a suitable backdrop to the statue of Marshal Foch. Theina Seear, founder of the society, says the British fountains are the Cinderellas of our national scene.

She adds, presumably to the delight of Prince Charles: "But now Prince Charming bids us change all that and revive them for the delight of us all."

With the help of the Civic Trust the Fountain Society is determined that existing British fountains should be restored and new ones created.

The water industry, shortly to be privatised, must be well pleased.

Cover charge

"Labour's Future Policy" is the title of a talk advertised at a Norfolk club. To this someone has added: "Guess who will pay the premium."

Observer

Economic summits: they have their uses, but . . .

By Douglas Wass

THIS weekend's economic summit is the twentieth since 1975 when Messrs Giscard and Schmidt first proposed one. Just how useful are these events?

The first summit, which took place against the background of the oil crisis, chaotic exchange markets and a loss of authority by the IMF, had a sort of success. It patched up the quarrel between the French and the Americans over the jurisdiction of the Fund in the matter of exchange rates and led to an amendment of the Fund's Articles. It gave a beneficial push to the tariff reduction negotiations in Tokyo. The outcome was at least not just a self-congratulatory communiqué.

With one exception it is hard to find a single subsequent economic summit which made any changes to the way the world's economies are run. That exception was the Bonn meeting in July 1978, which led the Germans marginally to expand their economy by a fiscal stimulus and the Americans to begin to control their energy consumption.

For the rest the summits have largely endorsed the policies of the majority of the participants—the pursuit of strong anti-inflationary programmes based on fiscal and monetary restraint, the conser-

vation of energy, the rescheduling of Third World debt, etc.—and have made pious statements about the need to avoid protection and to reduce unemployment.

Though the summits have had little impact on economic policy, they are widely thought by their participants to have political value. This explains their continued existence.

When President Ford called the 1976 summit, he was facing a difficult re-election campaign and was vulnerable both on inflation and unemployment. Likewise President Kissinger used the pageantry of the Versailles Summit in 1982 to capture the public imagination in France at a low point in his political fortunes.

The insipid outcome of summits is for some a positive virtue, rather than the failure of Superpower political summits is to give a boost to those who fear an arms control agreement.

The advocates of completely free markets, who believe that governments can only damage economic performance, are thankful that the annual meetings have been manufacturers

of words rather than action. At best this school would have been prepared to see collective action to prevent disorderly exchange markets and to promote freer trade. They would have been aghast at any attempt, of which the first Bonn summit was a single example, to co-ordinate macro-economic policies or to subject national governments to any significant degree of international supervision.

This school had much influence in the years 1979-84. But recently, and particularly since the famous meeting in the Plaza Hotel last September, there has been a revival of the recognition that international economic collaboration is not a zero-sum game (and that the pursuit of purely self-interested economic policies may not be optimal).

The high-water mark of international co-operation was reached in the 1950s and 1960s. That period saw the culmination of the work of the wartime architects of the IMF and the GATT in the striking of import controls and bilateral trade agreements and the

establishment of a system of multilateral convertibility. There were no summits in those days. The international collaborative process was handled as a technical matter and the meetings were unreported in the world's press. This was possible because at the political level there was no real disagreement about the value of collaboration and no disagreement at all about the objectives of economic policy. The memories of the "beggar my neighbour" policies of the 1930s were still fresh in the minds of Ministers and officials alike.

The breakdown of belief in international co-operation came with both doubts about the efficacy of macro-economic policy generally and the emergence of generalised floating. It was believed that countries could insulate themselves from the effects of the policies of their

trading partners by setting domestic monetary targets and simply sticking to them. If country A inflated its economy country B would be little affected as A's currency depreciated and the real competitive position of each was left unaffected. Output in B was determined solely by its underlying potential for growth and

inflation was fixed by the monetary targets. Why bother to collaborate?

The Plaza Hotel meeting and the Baker initiative suggest that these views are now on the wane. The way that the Americans have handled their fiscal policy has led to high real dollar interest rates, a huge and destabilising capital inflow to New York and, until recently, an absurdly uncompetitive dollar. Europe has not been able to insulate itself from these consequences by sticking to its monetary targets.

Its interest rates have been affected by the dollar; its banks are threatened by LDS (less developed countries) default which high dollar interest rates could cause; and it knows that the adjustment of the huge US trade deficit could cause it monumental problems.

The Americans have been brought to the recognition that the demand management policies of the European countries and Japan (however they are described) impinge critically on their own industries.

But the catalyst that has finally brought all the participants to recognise interdependence is the same as the one which worked in the immediate post-war era—fear. Just as Keynes and his American counterparts were fearful of the effects of generalised deflation, of competitive devaluations and of trade restrictions, so the modern policy makers have become worried—and rightly worried—that the status quo could lead to a collapse of the world trading system as we know it.

All this is a cause for celebration. But are we any nearer to a determination to do what needs to be done? Despite Gramm-Rudman, can we count on the Americans putting their fiscal house in order? Is there any hope that European governments will perceive that they have a contribution to make by putting more domestic demand into their economies? They have had a free ride on the US trade deficit for four years and they have to be prepared now to shoulder some responsibility for economic growth themselves.

As for the Japanese, they have got to open their markets and learn to live (as they did in the 1960s) with internally generated growth.

If these are the requirements, is the summit the right forum for seeing that they are met? In theory the time is more than ripe for political resolution of a set of problems which could easily become stuck in the grooves of national finance

Ministries. But one has one's doubts.

Mr Reagan has only limited room for fiscal manoeuvre given his commitment to defence spending and tax reductions, and it needs a complete suspension of disbelief to suppose that Gramm-Rudman is going to do the job for him. The Europeans have ideological objections to fiscal restraint. And the Japanese Prime Minister knows what internal political resistance there is to any government which wishes to promote foreign inroads into the home market.

So the scenario in Tokyo is probably going to be the familiar one. If the heads of government find time for anything other than terrorism, they will probably simply endorse the communiqué which their assiduous advisers have already written for them. Things have to get worse before, internationally, they will get better.

Sir Douglas Wass was Permanent Secretary to the Treasury from 1974 to 1982.



Why the oil price fall may be good for the Saudis

By Michael Field

SURPRISING AS it may seem, Saudi Arabians believe that the recession brought about by the sharp fall in their oil revenues will be good for them.

The view is held because it runs totally against the conventional wisdom of Westerners in the Kingdom and of businessmen in the industrialised countries. But there is a strong case for taking it seriously.

The Saudis' argument is that the recession will make the economy more competitive by weeding out the inefficient—including those who relied solely on personal connections to win construction contracts—and by curbing some of the extravagance of Saudi society. They maintain, moreover, that the pessimists are wrongly applying Western standards to their current difficulties and that the country will emerge stronger than ever once these problems are overcome.

It is easy to see why. For foreigners to be sceptical of the Kingdom's oil revenues have fallen from \$11.8bn in 1981 to a likely \$16bn to \$18bn this year. And while there is about \$15bn of non-oil income, from foreign investments and domestic sources, the Kingdom's exchange reserves of \$70bn, and no foreign or domestic debt, the position was considered bad enough for the budget, due in March, to be postponed for five

months.

Some foreign contractors have left the Kingdom, and construction contract work has virtually halted. A handful of Saudi trading and contracting companies have collapsed, most have had to renege on loans. The banks, which classify about 25 per cent of their loan portfolios as "doubtful," are making very slim profits or outright losses.

Europeans and Americans in the Kingdom are particularly exasperated by the Saudi's blithe lack of concern with the way the contracting business has collapsed and the way the courts, when judging cases of default on bank loans, follow the Islamic code of deducting all interest paid or due from the amounts they order debtors to pay.

They believe that the Saudis are being weak and unrealistic and that they are walking towards an unpleasant shock. If they are charitable and know the Saudi's attitude to the Arab belief that to state a problem is not to take the necessary first step towards resolving it, but to be impolite and obstructive.

But the Saudi's policy of yearping should not be underestimated. They are one of the world's most conformist and patriotic peoples. They all seem to think the same and speak the same, often echoing the views

that have been made known at the top of the royal family.

One benefit of the recession should be a curb on the notorious Saudi extravagance. There were more than 3m bottles of scotch at a time (two or three for each bathroom), contractors should not buy new equipment for each contract. Women may stop buying 20 bottles of scotch at a time (two or three for each bathroom), contractors should not buy new equipment for each contract.

The Saudis, meanwhile, say the problems of bank loans are exaggerated, Saudi bankers admit that if they applied Western criteria in deciding

and petrol are still enormously subsidised.

What is happening is that Saudi Arabia is making rather inconsistent progress towards becoming a "normal" economy—not just an enormously attractive market for Western exporters, but an economy that might be able to produce goods that will compete with imports on its own ground.

The costs of building and running industries have fallen by up to half—mainly because of much cheaper real estate and rents and a reduction in the cost of labour and labour overheads.

The businesses that will benefit from this in future are not so much the massive petrochemical and refining companies in the industrial cities of Jubail and Yanbu, but private companies that are establishing themselves in foodstuffs, certain types of building materials, machinery maintenance and minor consumer items.

Part of the change under way in the Kingdom is a structural one. Businesses can no longer gear themselves just to government construction and operation and maintenance work; they are having to provide goods and services to private sector companies and individuals.

Already some businessmen have started to adjust. It is not

difficult to find companies—mostly the conservative ones which expanded without much borrowing—which say that they have cut their costs and improved their profits this year. They are now looking, very cautiously, at new investment ideas.

The Saudis concede that for most of their fellow producers the fall in oil prices may be a disaster—through exacerbating their shortage of foreign exchange. For example—and this may present the Kingdom with political problems if its friends become less stable and its enemies blame it for their misfortunes.

But possibly more important the reduction in the Kingdom's revenues should help create the modern diversified economy that has been the government's objective for the last 20 years.

Ten years ago there were economists who argued that for some Opec countries—Iran was the one they referred to—most of the price rises of 1973-74 had been a disaster. They made the economies more dependent on oil revenues, stimulated inflation, damaged the competitiveness of new industries and agriculture by raising costs, and destabilised society.

Now it might be logical that for one or two countries—most obviously Saudi Arabia—a fall in oil prices could have an opposite effect.

Expensive to work

From the General Secretary, General Muscular, Boiler-makers and Allied Trades Union

Sir,—The suggestion by Mr D. G. Franklin (April 28) that it is impossible to persuade people to work for £100 a week or less demonstrates yet again how totally much discussion of this topic has lost touch with reality.

The fact is that there are already over 3m people in this country working full time for £100 a week or less while daily experience shows that anyone advertising new jobs at this level, or even much lower levels, will be deluged with applicants.

Mr Franklin's suggestion that people working for £100 gross income tax and 25 travel expenses is equally wide of the mark. For a single person £100 gross is equivalent to about £70 net, after deducting 29 national insurance, £15.88 income tax and 25 travel expenses. By contrast, a single unemployed person living in a council flat and paying rent and rates of £20 could expect a total benefit income of £69.50, a considerably more realistic figure than Mr Franklin's £70. Some with higher housing costs would get more but many others, particularly those living with relatives would get very much less.

For a couple with children the gap would be narrower but still significant. Mr Franklin's figures show clearly that he has failed to take account not only of the family income support and housing benefit available to a low-income family in work but even of their child benefit.

The suggestion that "there are some 800,000 vacancies which no one is willing to fill at this moment" is apparently based on a fallacious use of figures. This number may be a reasonable estimate of the number of vacancies existing at any moment but this is essentially a measure of the turnover of jobs, not of the number of jobs, if any, which are permanently unfilled.

It is worth pursuing these points in detail because they help to illustrate a fundamental logical flaw in the position of the Government and the opposition. The Government is in fact keenly aware that the vast majority of people in this country are desperately anxious to work at almost any price. This awareness lies behind its policies of depressing the lower wages in the public sector and of stripping away existing protections for the lowest paid in the private sector. To claim at the same time that people are being "priced out of jobs" by the effects of taxes and benefits demonstrates a pro-

Letters to the Editor

Each expressed some recognition of the interests of "third countries" in this matter, and this federation finds it strange that such discussions should be taking place between the American and Japanese semiconductor industries, as well as Governments, without consultation with "third country" industries, such as those of Europe including the UK.

It is an less strange that neither the EEC Commission nor the British Government has received any information on these discussions from the US (or Japanese) Government. In fact the columns of the Financial Times seem to be almost the only source of information about them.

This federation, and the European Electronic Component Association (EECA) of which we are the UK member, would appreciate full information about what sort of agreement is under discussion between the US and the Japanese, and we suggest that arrangements should be made for direct participation by European and other third country industries in the negotiations from now on.

Richard H. W. Bullock, 7-8 Sandle Row W1.

Bonanza for lawyers

From Mr T. Topping

Sir,—Your article of April 22 about the last minute rush to register under the Data Protection Act is a reminder of what a depressingly British piece of legislation this is. With its hair splitting and preciosity, the Act looks set to provide a lawyers' bonanza for many years to come. More immediately, the requirements of registration are likely

Four minutes of purgatory

From Mr D. Revie

Sir,—The address of Dr G. Redman, who wrote (April 23), proposing that the Waterloo and City line should be extended to become the desired through route to the docklands redevelopment area, suggests that he himself does not have to travel on this line to and from work each day—otherwise he would be putting forward that idea.

The Waterloo and City line, the famous "drain," carries a very large number of people each way in a very concentrated form, compressed into two relatively brief periods. It manages to do this, with just one line each way and relatively short trains, by being a "one-stop shuttle, arriving empty at the starting point and disgorging all at the other one. Thus the passengers can arrive at the starting point at the precise time they know they need to in order to form their orderly lines and the crane themselves onto the trains, in the knowledge that they have four minutes of purgatory and then arrive at their office on time, or, if they are late, at the point I am making—catch their desired train home.

Imagine what will be the effect on these hordes of—homeward bound—travellers when they arrive at Bank station to find the trains, one after another, arriving from dockland already full? Enormous delays, lost trains home, frayed tempers, etc. on the journey to work at least both City and dockland workers would be starting equal, but the possible increase in numbers and the need to get out of a paid train at two different stops would undoubtedly cause chaos then too. I would predict in those circumstances a mass change to other, less satisfactory, and convenient, means of transport for City workers from Waterloo.

No, the "drain" works, and works remarkably efficiently simply because it is a "one-stop shuttle" and any attempt to tamper with that would, in my opinion, destroy it. The only possible way I could imagine Dr Redman's suggestion perhaps working is if the trains were doubled in length (or became double-deckers?) and occupied on a segregated basis, with passengers to/from the Bank in one half and to/from the docklands in the other, and unable to get on/off at each other's platform.

David M. Revie, Ashford, Middlesex.

Charities and the Finance Bill

From Mr F. Hayes

Sir,—In Press releases accompanying the Chancellor's Budget speech we were told that a small number of charities were abusing the system to the "prejudice of the selfless and dedicated work of the vast majority of genuine charities and their supporters" and that the Finance Bill would include measures to check such abuse. Having studied these measures I was appalled to find that far from leaving the vast majority of charities unaffected it is only likely to be a minority that will escape the effects of the new clauses and only then if they are happy to pay professional fees to monitor their position continuously.

Clause 29 of the Bill penalises "private indirect charities." Among the seven pages of convoluted rules describing the meaning of this term it is prescribed that if five people, quite independently of the charity or each other, put up 25 per cent of its funds in any single year the charity must expend its receipts in that year or lose its tax exemption. Worse still it cannot attract deeds of covenant. Appeals therefore which cannot meet their targets in a short time, for example a new wing of a local hospital when it can take 18 months to get planning permission, must avoid seeking substantial donations or accumulating their income for the purposes of meeting the appeal's target, or risk losing their tax relief.

It is particularly galling to read these kinds of rules in a document which gushes about avoiding "prejudice to selfless and dedicated work." The truth is that the draughtsmen's

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PROPOSALS LIKELY TO EXCEED EEC MINISTERS' BUDGET LIMITS

Brussels finalises cash demands

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission is today set to finalise its cash demands for a supplementary budget in 1986 and a full budget for 1987 certain to exceed the spending limit fixed by EEC finance ministers.

Angry Commission officials yesterday condemned the budget discipline ceilings laid down by the ministers on Monday as "bearing no relation to reality". The figures imply a large real cut in social and regional programmes which are heavily over-committed as a result of past promises made by budget ministers.

Mr Henning Christophersen, the Budget Commissioner, will today propose a supplementary budget for 1986 already including substantial cuts in both farm spending and in the social and regional funds, in order to remain within the limit on EEC revenues.

The 1987 figures, however, are likely to defy the budget discipline rules while remaining inside the revenue limit of a 1.4 per cent VAT ceiling (the theoretical formula for member states' budget contributions).

The irony facing EEC budget officials is that their revenue and spending estimates have been hard hit by two important factors otherwise regarded as benefits for the

European economies: the fall in inflation rates and the decline in the US dollar.

Declining inflation means the revenue from the 1.4 per cent VAT ceiling in 1987 must be cut back by several hundred million Ecu. The latest revenue estimate of Ecu 39.34bn (\$38.5bn) includes VAT and customs duties and levies, the other main source of EEC income.

At the same time, the falling dollar adds hugely to the cost of export subsidies on farm products. The supplementary budget includes a figure of some Ecu 850m to pay for that, and the Commission admits that a further decline in the aver-

age Ecu-dollar rate to the present level over a full year would add another Ecu 650m.

Mr Christophersen's supplementary budget will be kept to Ecu 2,300m, the amount of cash left within this year's VAT ceiling, by pruning or postponing Ecu 650m in farm, social and regional spending.

Some Ecu 419m of the forecast farm spending needs will be kept out of the budget, and Ecu 419m from the social and regional funds, according to Commission officials.

The finance ministers are calling for an absolute limit on spending of Ecu 35.3m in 1987.

UK loses a year's gas supply in revision of reserves

By Dominic Lawson in London

THE BRITISH Government yesterday revealed that it had cut its estimates of the UK's gas reserves by the equivalent of a year's consumption.

The figures, given in the Energy Department's Brown Book - its annual review of UK oil and gas developments - mark a sharp reversal of the previous year's trend. A year ago energy ministers used an upgrading of 6.2 trillion (million million) cubic feet to 64.6 tcf in UK proven and probable gas reserves, as justification for its veto of a British Gas plan to buy 7 tcf of gas from Norway's Sleipner field.

Now the UK's reserves have been marked down by 1.8 tcf to 62.8 tcf, in the wake of disappointing results from a number of gas appraisal wells.

Mr Alick Buchanan-Smith, the Energy Minister, said yesterday: "I asked a lot of questions when I saw these figures. But they make no difference to our views on the wisdom of importing gas. We still believe that we can meet domestic demand well into the 1990s from UK production."

British Gas said yesterday: "We are studying the figures with interest. Our overriding role is to be certain that our customers will have gas when they want it."

The decline in the gas reserves is partly because some reservoirs in the southern North Sea are not as good as they appeared last year. Some of the gas in the central field is contained less than five years in the ground, according to geologists' first thought.

"That is purely a technical problem. But there could be economic problems in actually developing the condensate or 'wet' gas fields. If oil companies do not see a major upturn in oil prices, they will not develop the fields, because the price they expect to obtain from the associated liquids will be seen as too low."

A detailed analysis of the southern North Sea and the Irish Sea - site of the Morecambe Bay gasfield - has at least resulted in an upward estimate of the amount of gas remaining to be discovered there. The range is now 7.7 tcf to 29.4 tcf, up from 6.5 tcf to 20.1 tcf last year. But the department warns that these are only broad indications and the most likely outcome is in the lower half of the range.

The Government's estimate of the UK's remaining proven and probable oil reserves has fallen from 9.75bn barrels to 9.2bn barrels. Successful appraisal of existing fields has added 600m barrels to reserves, but the country is continuing to deplete its oil fields faster than it can replace them.

The Brown Book shows that at the current oil price of \$12 a barrel, the oil industry is making a negative return on its investment in fields which came on stream this decade. These require an average oil price of \$15 a barrel to make a return, while fields now under development will require an average price over the life of the field of \$21 a barrel.

The collapse in oil prices below levels at which North Sea projects are profitable lies behind the halving of many oil companies' exploration budgets, and the shelving of Shell's £2.5bn (\$3.75bn) Gannet North Sea project.

Mr Buchanan-Smith said yesterday that he was concerned at the downturn, but he was yet to be convinced by the oil industry that projects which were economically pre-tax, would be made uneconomic by the Government's current fiscal policy. But he said he was willing to discuss the position with the oil industry.

The Brown Book shows last year UK-based companies won a record 80 per cent of North Sea orders, worth £2.7bn. Gross capital investment in the offshore oil and gas industry last year was £2.6bn, compared with £3.2bn in 1984.

THE LEX COLUMN

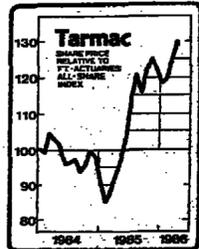
Commercial paper comes ashore

The absence of a commercial paper market in the UK has long seemed one of the odder features of the monetary system. The deliberate exclusion, by the banking act, of a mechanism for companies to buy and sell each other's short-term debt has caused any number of financial contortions. Top-grade UK companies wanting to borrow short-term sterling have found it cheaper to go through the rigours of the US rating system and swap the proceeds of dollar borrowing into pounds than to borrow in the UK. High time, long before yesterday's announcement, that this absurdity was unravelled.

In some ways, it is perverse of the authorities to have left the change so long. The overall monetary effect of permitting a commercial paper market to develop can only be to remove banking intermediaries from the flow of liquidity between corporate borrowers and lenders, thus reducing the volume of bank lending. In a period when detailed monitoring of £M3-growth was a preoccupation of the credit markets, the creation of a commercial paper market would have made it easier to hit the monetary targets, avoiding much of the need to overfund. And without overfunding, there might never have been the need for a bill mountain in Threadneedle Street.

Since overfunding has been replaced by an official policy of exact funding, which has in practice allowed for some under-funding, the bill mountain will unwind. And in any case, the spell of broad-money targeting appears to have been broken some time since. The go-ahead for commercial paper is, to that extent, unanticipated by suspicious that it is a means of loosening the stays of monetary policy. Much more reasonable to see it as a perfectly genuine concession to commercial pressures. It is only a pity that the same spirit did not extend, yesterday, to a complete withdrawal of the impost on ADR issues; 1½ per cent is less onerous than 5, but it may still be a level of duty which suppresses a market rather than taxes continuing turnover.

Turnover in commercial paper, however, could be very heavy indeed. Dealers are prepared to argue that there is only a narrow strip of the interest rate spectrum in which borrowers and lenders could meet each other - between Libor and the rate on acceptances. Acceptances are, furthermore, a highly developed medium for those cor-



sterling hit translation of overseas profits, 80 per cent of the total, despite a change from year end to average rates. US profits would have been down even in dollar terms but for the Atlantic Cement acquisition half way through the year. Mexico and Chile performed well but earnings from these are still regarded as low quality. Tarmac had the benefit from US acquisitions made in 1985 to help the quarry products division, but the 44 per cent gain in housebuilding profits was all its own work. While Tarmac cut its net debt, BCI's borrowings rose as did fears of a rights issue.

Low interest rates and a pre-election spending boom should mean a strong couple of years for building companies. BCI's UK cement business will at last break out of years of heavy spending and tough conditions. Tarmac will get a boost from the oil price fall in its blacktop business. Both should show profit growth of around 20 per cent in 1986, though again Tarmac may have the edge. BCI shares have more scope for a re-rating. Tarmac's are already there.

Liberty Life

TransAtlantic Insurance Holdings is an odd sort of name for a company which invests not just in insurance and traces its parentage not across the Atlantic but to Johannesburg. Liberty Life, which owns 75 per cent of TransAtlantic, now seems ready to surrender its controlling interest in return for a public quotation which will allow the company to develop its existing network of financial holdings in the UK. As a first step, TransAtlantic is launching a one-for-two rights issue of preferred ordinary shares which will raise £137.5m and should dilute Liberty Life's interest to about two thirds of the total.

TransAtlantic currently owns about a quarter of both Sun Alliance and Continental and Industrial investment trust, so the infusion of the new cash, which leaves the pro-forma balance sheet almost ungaraged, will presumably cause the management of both those companies to take a fresh look at their service contracts. But, if TransAtlantic follows the example of its South African parent, it may diversify into other financial services rather than consolidate its grip on the existing associates. Liberty Life's own group structure is a simply dazzling maze of partial holdings.

Blue Circle/Tarmac

The London stockmarket's differing reaction to 1985 figures from Blue Circle (BCI) and Tarmac was more a matter of relief for the former than dissatisfaction with the latter. BCI's 3 per cent increase in pre-tax profits to £116.8m was met by a 43p gain in the share price to 716p. Tarmac, which pushed profits up by 23 per cent to £135.2m, saw only an 8p rise in its shares to 486p. But the historic p/e ratios at 10.6 and 17.2 respectively reveal the market's view that Tarmac is the more reliable earner.

BCI had a lot going against it last year. The UK cement market was poor and BCI suffered extra distribution costs as two new plants were slow to come on stream. The rise in

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Oslo Government faces crucial vote

BY FAY GJESTER IN OSLO

NORWAY appeared to be heading for a change of government after a decision by the main opposition Labour Party to vote against the emergency package of economic measures proposed by the Conservative-led minority coalition.

Mr Kåre Willoch, the Prime Minister, had warned that his government would resign if the package was defeated. The vote was not expected to be taken until late in the evening.

The prospect of Labour's return to power sent share prices plunging on the Oslo stock exchange, continuing Monday's decline. A further Nkr 3bn-Nkr 4bn (\$435m-\$580m) was knocked off share values.

The two parliamentary representatives of the small right wing Progress Party, who usually vote with the Government, thus giving it a majority, said in yesterday's Storting (parliament) debate that this time they would be voting with the opposition.

The Progress Party objects particularly to one of the Government's proposals - for an increase in the tax on petrol. Its leader, Mr Carl Hagen, said that by turning approval of a petrol tax increase into an issue of confidence, Mr Willoch has clearly shown that he wanted his Government to go - "and we are going to help fulfil his wish."

Labour had had a hard time the previous day reaching its decision to reject the coalition's proposals, which had been amended to include provisions, such as tougher taxation of share dealing profits specifically designed to win the party's approval.

Monday's discussion of the package by Labour's parliamentary group lasted from 8pm until almost midnight. The Labour members finally decided, however, that the changes did too little to shift the burden of extra taxation - needed to offset the fall in petroleum revenues - on to the country's wealthiest citizens. They claim that incomes inequality in Norway has grown under the coalition's five-year rule, and that it is now time to redress the balance.

After that verdict, Mr Willoch repeated that if the vote did go against his Government, he would resign and advise the King to ask Labour's leader, Ms Gro Harlem Brundtland, to form a new cabinet.

Ms Brundtland has said she is willing to accept that responsibility, but points out that it will be impossible for Labour to govern unless it gets at least passive support from one of the two junior partners in the coalition. It has only 71 seats in

the 157-member Storting. So far neither of the two - Christian Democrats or Centre - has indicated that it would provide such support.

Should a minority Labour government be appointed, and promptly defeated, a possible successor might be a mini-coalition of the Christian Democrat and Centre parties, with passive support from either or both the Conservative and Labour.

Mr Arne Treholt, the Norwegian former diplomat and politician, last year convicted of spying for the Soviet Union and Iraq, was present as a spectator when Norway's supreme court yesterday started hearings of his appeal against the 20-year jail sentence he received from a special tribunal of seven judges - there is no jury, in a Norwegian treason trial.

the House of Commons for restricting information about the incident. Mr Kenneth Baker, Environment Secretary, said the Russians had been asked to supply full details. He and Mrs Margaret Thatcher, the Prime Minister, both sought to allay fears that British nuclear power stations might be vulnerable to similar accidents.

● The disaster at the Chernobyl nuclear power station could scarcely have come at a worse moment for the Soviet energy programme, writes Patrick Cockburn.

Fast development of big nuclear plants, each with an ultimate capacity of 4,000 Mw, 7,000 Mw, is at the centre of Soviet investment in energy west of the Urals over the next five years and is bound to be affected by the destruction of the reactor in the Ukraine.

The very high speed with which the nuclear programme was being pushed may have contributed to the disaster. In 1984, Mr Peter Neporozhny, the Soviet Minister for Power and Electrification, said: "Such power stations are very economical and can be built in the immediate vicinity of a city because they do not emit smoke and are totally safe."

Soviet nuclear power specialists have echoed the same theme that nuclear energy for civil use is risk-free. "Over the 31 years that passed since the first nuclear power unit went into operation there have not been any serious accidents at Soviet nuclear power plants," wrote two members of the staff at the Institute of Nuclear Power in Moscow last year.

The decision to expand the nuclear power programme was taken in 1964 when the Soviet Union produced its energy programme for the next 20 years. The Soviet Union was then using some 2.5m barrels a day of oil in its power stations. The plan was to save oil by substituting gas and by rapidly increasing the number of nuclear power stations.

In the European part of the country, studies showed that a kilowatt of electricity produced from nuclear power stations was much the cheapest. East of the Urals, cheap coal from open-cast pits and associated gas was the most economic fuel.

Some 40,000 Mw of nuclear energy were to be added between 1986 and 1990 on top of the 23,000 Mw already in place.

The new programme created some misgivings. "Isn't a nuclear euphoria replacing the oil euphoria?" Mr Neporozhny was asked by an interviewer two years ago at the start of the present spurt of nuclear plant construction. He denied having "any delusions on this score."

Will the Chernobyl disaster affect the nuclear programme? The investment made is already very large. Over the next 10 years, 80 nuclear power stations are to be built. In 1986 some 7,500 more megawatts of electricity from nuclear plants are to be produced, which means at least seven new reactors. The Atomashan plant, which was originally meant to produce eight reactors a year in serial production, has never come up to expectations but is still thought to be producing about three reactors a year.

That programme, which has absorbed so much Soviet capital investment in 1980s, will be almost impossible to change and difficult to modify. Although the raw materials such as oil, coal and gas are available as fuel as well as plentiful hydroelectric power, they are already fully used and are, in any case, in the wrong part of the country, in the sparsely inhabited Siberian wastelands. That is too far for electricity to be transmitted economically to the great industrial cities of the West.

WEU rejects moves to fight terrorism

By Bridget Bloom in Venice

FOREIGN and defence ministers of the seven-nation Western European Union decided yesterday that their newly revived organisation was not an appropriate forum for co-ordinating European moves to combat terrorism.

The decision to confine European anti-terrorist action to the European Community put fresh limits on WEU influence. Ministers decided two years ago to revive the organisation - which commits Britain, France, Germany, Italy and the Benelux countries to treaty arrangements from the early 1950s - as an important body for co-ordinating European security. However, enthusiasm for the enterprise has declined recently.

Yesterday's decision came after a short discussion in which there was unanimous opposition to the creation of a WEU group to co-ordinate anti-terrorist police and actions. Proposals for such a group had been made by Mr Jean-Marie Caro, president of the WEU parliamentary assembly.

The ministers decided that the EEC, the foreign and home ministers of which have both met on terrorism in the last 10 days, should co-ordinate European policy on the issue. The two-day WEU meeting was described yesterday as cordial with the main discussions covering East-West relations and European security.

Moscow asks for assistance

Continued from Page 1

the House of Commons for restricting information about the incident. Mr Kenneth Baker, Environment Secretary, said the Russians had been asked to supply full details. He and Mrs Margaret Thatcher, the Prime Minister, both sought to allay fears that British nuclear power stations might be vulnerable to similar accidents.

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ENI warning after return to profit

Continued from Page 1

L15,966bn at the end of 1985. On its foreign exchange operations, ENI turned a 1984 loss of L479bn into a profit of L206bn in 1985, despite a loss of L32.8bn on the repayment of a debt of \$125m on July 19, when the Bank of Italy refused to support the lira and let it fall nearly 20 per cent against the dollar.

Mr Reviglio, an economics professor who has been chairman of ENI since early 1983, said that the fall in the oil price to about \$10 a barrel in the early part of this year, and the fall in the dollar, would cut margins of oil produced abroad, and reduce the value of oil and gas produced in Italy. It should, however, improve the economics of downstream operations in Italy. The chemical sector would benefit from cheaper raw materials.

The group intended to step up production capacity of domestic gas resources from the present 12bn cubic metres a year to 14bn by 1988 and to 16bn in the 1990s.

Mr Reviglio said that ENI's energy division, which had sales of L35,014bn in 1985, made a net profit of L1,707bn against a net profit of L1,236bn on sales of L34,396bn in 1984. Profits had been made on upstream operations but the result of downstream operations was "generally negative." ENI's coal operations had made a bigger loss than in 1984.

ENI's three engineering subsidiaries, Snamprogetti, Saipem and Nuovo Pignone, made a total net profit of L1,128.5bn in 1985, compared with one of L1,28.5bn in 1984. Sales were up from L2,246bn in 1984 to L2,883bn in 1985.

Britain reduces tax on ADRs

Continued from Page 1

The new rate, which is to be applied retrospectively to shares converted into ADRs on or after March 19 this year, should ensure that there is no diminution of overseas interest in British shares, Mr Lawson said.

The 5 per cent tax on ADRs announced in the budget has never been applied. Instead a 1 per cent charge was imposed as before the budget amid expectations that the balance would be collected after the Finance Bill received royal assent.

China's leaders suffer twin blow

Continued from Page 1

viewed, and senior ministers have warned that provincial officials "must not hesitate to stop or suspend projects."

Diplomats are agreed that a slowdown was necessary this year to stabilise the economy, but are divided on whether the brakes have been applied too hard. Some feel that the restraints are needed to provide a calm climate for the introduction of more reforms, while others are convinced the economy is losing momentum.

"The boom times are over," a foreign banker said. The end of the boom will be felt by most of China's trading partners, as it will certainly mean a sharp drop in import growth - West European countries scored a 25 per cent average increase in trade last year, while Ja-

World Weather

| Area | Temp | Wind | Cloud | Precip |
|---------------|------|-------|-------|--------|
| Alaska | C 15 | SE 15 | 01 | 0.0 |
| Algeria | C 15 | SE 15 | 01 | 0.0 |
| Amsterdam | C 12 | SE 14 | 04 | 0.0 |
| Atlanta | C 22 | SE 12 | 01 | 0.0 |
| Bahamas | C 31 | SE 18 | 00 | 0.0 |
| Bangkok | C 31 | SE 18 | 00 | 0.0 |
| Batavia | C 28 | SE 18 | 00 | 0.0 |
| Bombay | C 31 | SE 18 | 00 | 0.0 |
| Buenos Aires | C 18 | SE 15 | 01 | 0.0 |
| Calcutta | C 31 | SE 18 | 00 | 0.0 |
| Canton | C 28 | SE 18 | 00 | 0.0 |
| Cebu | C 31 | SE 18 | 00 | 0.0 |
| Colon | C 31 | SE 18 | 00 | 0.0 |
| Hankow | C 28 | SE 18 | 00 | 0.0 |
| Hong Kong | C 28 | SE 18 | 00 | 0.0 |
| London | C 12 | SE 14 | 04 | 0.0 |
| Lyons | C 12 | SE 14 | 04 | 0.0 |
| Manila | C 31 | SE 18 | 00 | 0.0 |
| Medan | C 28 | SE 18 | 00 | 0.0 |
| Osaka | C 28 | SE 18 | 00 | 0.0 |
| Paris | C 12 | SE 14 | 04 | 0.0 |
| Perth | C 22 | SE 14 | 04 | 0.0 |
| Phnom Penh | C 31 | SE 18 | 00 | 0.0 |
| Port of Spain | C 31 | SE 18 | 00 | 0.0 |
| Rangoon | C 31 | SE 18 | 00 | 0.0 |
| San Francisco | C 18 | SE 15 | 01 | 0.0 |
| Singapore | C 31 | SE 18 | 00 | 0.0 |
| Sourabaya | C 31 | SE 18 | 00 | 0.0 |
| Taipei | C 28 | SE 18 | 00 | 0.0 |
| Tokyo | C 28 | SE 18 | 00 | 0.0 |
| Yokohama | C 28 | SE 18 | 00 | 0.0 |

World Weather

| Area | Temp | Wind | Cloud | Precip |
|-----------|------|-------|-------|--------|
| Madrid | C 18 | SE 15 | 01 | 0.0 |
| Moscow | C 12 | SE 14 | 04 | 0.0 |
| Mumbai | C 31 | SE 18 | 00 | 0.0 |
| Nairobi | C 28 | SE 18 | 00 | 0.0 |
| Rangoon | C 31 | SE 18 | 00 | 0.0 |
| Shanghai | C 28 | SE 18 | 00 | 0.0 |
| Singapore | C 31 | SE 18 | 00 | 0.0 |
| Sourabaya | C 31 | SE 18 | 00 | 0.0 |
| Taipei | C 28 | SE 18 | 00 | 0.0 |
| Tokyo | C 28 | SE 18 | 00 | 0.0 |
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SECTION III
FINANCIAL TIMES SURVEY

Switzerland

— a special case

The economy is thriving. Industrial performance has recovered with the revival of world demand, though questions remain about Swiss competitiveness in world markets. But industrial and commercial openness to the world and a traditional political aloofness are proving hard to reconcile

By William Dullforce, Geneva Correspondent

SWITZERLAND is a special case. If we had not known that before, the Swiss reminded us of it last month when, by a solid three-to-one majority, they rejected their government's referendum proposal that they join the United Nations.

A few days later the defeated government, motivated at least partly by a wish to repair the damage it felt the UN vote may have inflicted on Switzerland's reputation, took the extraordinary course of ordering the banks to freeze the assets of Ferdinand Marcos, the deposed Philippines president, and his family.

Its action reminded the world of another Swiss peculiarity, their banking secrecy. The banks feared that this time it was the Swiss reputation for handling the funds of world investors with privacy and security that would be tarnished.

They claimed angrily that the government had acted very precipitately and set a dangerous precedent. The new regime in Manila should have followed the established procedure in applying for legal assistance from Switzerland to recover monies suspected of having a criminal origin, the banks argued.

The UN vote and the row over the Marcos fortune show how the Swiss are trying to reconcile their sovereignty with the exigencies of an increasingly interdependent world.

The emergence of a global, deregulated financial market is putting Swiss banking under stress in many directly practical ways. Innovations in the form of dual currency, swap-tied and equity-linked issues introduced by the US and other banks to the bond market, are forcing the National Bank to review its few remaining regulations.

The preservation of the Swiss franc issuing business—second in volume only to the dollar market—for banks domiciled in Switzerland is now seriously challenged.

Even on the industrial front Swiss companies are pressing their authorities hard to ensure that they do not remain isolated from joint government-financed

development projects such as Europe's Esprit and Eureka programmes and even the US "Star Wars" programme. Swiss industrialists fear they may be cut off from leading-edge technologies.

The arguments in favour of joining the UN marshalled by the government in the campaign before the national referendum were intellectually impeccable. More and more decisions directly impinging on Swiss interests and affecting its future were being taken in international organisations to which Swiss representatives had no access or at best observer status.

There was also the moral argument. It was simply wrong for one of the world's richest nations with the highest per capita income in Europe to remain aloof in its mountain fastness and tourist paradise from the international community which generated much of its wealth.

Unease about a revival of the mercenary image lurks deep in the Swiss consciousness. Periodically, the outside world recalls that for centuries the Swiss earned a living by selling the services of their brave, effective and ruffianly peasant

soldiers to their neighbours.

The rational and moral arguments for UN membership crashed on the rock-hard conviction of the Swiss citizens that their right to decide their own affairs in the Gemeinde or commune would somehow be violated by joining the 188-nation club in New York. They felt their sovereignty was at stake.

Proponents of UN membership for Switzerland have once described the citizens' reaction as primitive, as an evocation of a parish pump mentality and as short-sighted egotism. It was certainly an expression of innate Swiss conservatism.

Simple descriptions are probably wrong. The UN vote and the case of the Marcos funds can fairly be put in the context of yet another small country struggling to adjust to swiftly changing world.

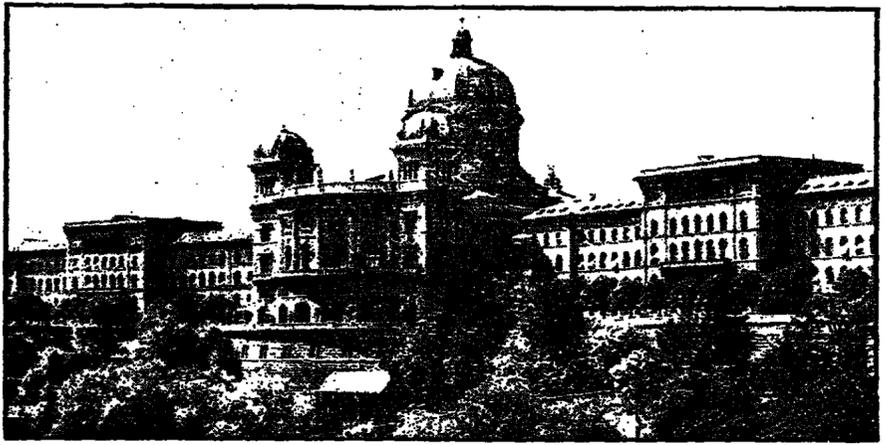
But there is more to it. For the Swiss do indeed have their singularity. Their historically-conditioned role in the world and the services it enables them to provide are still valid. The particular nature of the services derive at least in part from the Swiss ability to maintain their political, legal and financial oddity.

The country's perpetual neutrality was the issue on which the UN referendum campaign focused. The government's opponents claimed that UN membership would impair that neutrality.

Today Switzerland represents the interests of the US in Cuba and Iran, those of Iran in South Africa and Egypt and those of Britain in Argentina, among many other similar assignments. "Whenever conflicts break out, we assume a neutral position which enables us to offer our good services," says Mr Edouard Brunner, Secretary of State at the Foreign Ministry.

He argues that these good services would still be sought after Switzerland became a member of the UN. Others see the situation differently, claiming as an example that current worldwide acceptance of the humanitarian services provided by the International Committee of the Red Cross with its ill-Swiss administration could weaken if Switzerland became embroiled in arguments within the UN.

The world arguably can derive benefit from having one country with both a unique neutral status and with the diplomatic resources to offer



The building of the federal parliament and chief government offices dominates the Berne skyline

Economic performance and prospects

(Change in percentage from previous year except for Treasury bond yield and unemployment rate)

| | 1984 | 1985 | 1986 | 1987 |
|---|------|------|------|------|
| Monetary indicators: | | | | |
| Central Bank monetary base | 2.5 | 2.2 | 1.5 | 1.75 |
| Treasury bond yield | 4.5 | 4.7 | 4 | 3.75 |
| Trade-weighted value of the Swiss Franc | -3.3 | -2.8 | 7 | 3 |
| Gross Domestic Product: | | | | |
| Private consumption | 1.3 | 1.75 | 3 | 2 |
| Investment in buildings | 4.1 | 2.5 | 2 | 1.5 |
| Exports of goods and services | 3.9 | 10 | 8 | 4 |
| Imports of goods and services | 6.1 | 8.5 | 4.5 | 3 |
| Gross Domestic Product | 7.1 | 5 | 5 | 3.25 |
| Labour market: | | | | |
| Wages and salaries | 2.7 | 4 | 4.5 | 3 |
| Employment | -0.2 | 0.9 | 1.25 | 0.5 |
| Unemployment rate | 1.1 | 1 | 0.8 | 0.7 |
| Consumer prices | 2.9 | 3.4 | 2 | 2 |

* Preliminary estimates. † Forecasts.
Source: Economic Research Institute of Zurich Technical University.

efficient service. An argument for Switzerland as a special case emerges.

The argument for Swiss banking secrecy as a special case is more difficult. The opportunities it offers for laundering funds acquired through criminal acts, or by the diversion of public money into the coffers of political dictators, have been highlighted again by the Piza connection trial in Ticino, where those implicated placed Mafia money in Swiss accounts; and by the efforts of

new administrations in the Philippines and Haiti to recover alleged loot from former presidents.

Swiss authorities and bankers, over the last few years, have been trying to draw a line through new legislation and international agreements between what is criminal and what is legally acceptable under the Swiss tradition that individuals have the right to deploy their wealth as they please and in private. Within Switzerland itself

there is dissent about these moves between the big banks, which foresee dangers to their foreign interests, particularly in the US, if concessions are not made as in the insider trading Bill now before parliament, and the smaller banks, whose existence depends on maintaining privacy for the foreign clients whose funds they manage.

The big banks' anger over the government's intervention in the Marcos case stemmed from a perception that the government by establishing a precedent for exceptional measures, was breaching the line protecting the remaining core of Swiss bank secrecy.

Bank secrecy is seen and felt by most Swiss citizens as a matter of sovereignty as well as of self-interest; they shielded it from government legislation in an earlier referendum in 1984. As with Swiss neutrality, the sovereignty embodied in bank secrecy is also linked with a concept of providing a special service.

If the UN referendum has put an end to any prospect of Switzerland joining that world organisation before the end of the century at least, the Swiss almost certainly will be involved in more skirmishes in defence of bank secrecy. Most foreigners think of Switzerland first in terms of financial services and tourism. This is a misrepresentation:

industry remains vital to the health of the economy and it is the current improvement in industrial performance as well as the growth in bank profits which keeps morale high in the country.

Industry still provided almost 38 per cent of the jobs in Switzerland in 1984 compared with 33 per cent in Britain and only 30 per cent in Sweden, a country with an economy roughly the same size. Services accounted for less than 56 per cent of Swiss employment compared with about 65 per cent in both Britain and Sweden. De-industrialisation has further to go in Switzerland.

The economy as a whole grew by close to 4 per cent last year and, assisted by the fall in world oil prices, it appears to be heading for a further increase in Gross Domestic Product of about 3 per cent this year.

The doubt is that industry's better performance in 1985 may have been due to the unusual circumstances of a favourable exchange rate for exporters and strong demand from the recovering economies of the industrialised countries. The Swiss have not yet made out a special case for their industry. Here they are relying on the traditional virtues of hard work, technical competence and the ability to learn from others' mistakes.

Typically Swiss...

Hard work, inventiveness, a single-minded dedication to quality and a bit of luck go a long way towards explaining Swiss prosperity. With no natural resources and a beautiful, but not exactly fertile country, Switzerland had to put to use its one asset - its people. Nestlé, the country's biggest company, is applying its employees' knowledge, skills and experience to the cause of better nutrition and spends a lot of time and energy on research and development, trying to preserve and transform edible raw materials to satisfy the needs of expanding populations and to provide foods appropriate to the nutritional requirements and resources of consumers all over the world.

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SWITZERLAND 2

Oil fall a vital stimulus

Economy
WILLIAM DULLFORCE

THE RECOVERY in the Swiss economy which started at the beginning of 1983 is set to last through 1986 and possibly into 1987, as well longer than expected in earlier forecasts.

A key stimulus both in real terms and in expectations has come from the fall in the price of crude oil. This has maintained buoyancy in world demand, on which an exporting economy like that of Switzerland is so dependent, and cushioned the negative effect on exports of the appreciation of the Swiss franc.

More importantly, its deflationary effect has helped to boost Swiss real incomes and to stimulate the increase in private consumption which forecasters agree will this year replace exports as the crucial growth element.

"Our general feeling about the economy is that we do not have any big problems," a government economist says without smugness. His view is echoed in the latest survey by the Organisation for Economic Co-operation and Development, which could find no imbalances in the Swiss economy requiring correction.

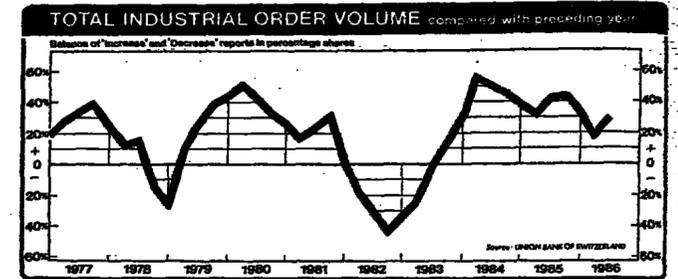
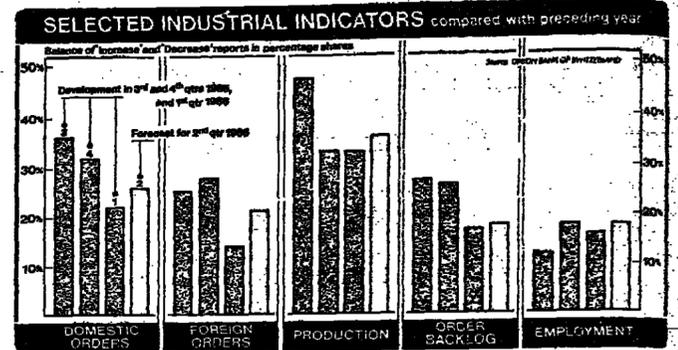
Inflation is not expected to exceed 2 per cent in annual average this year. Employment is growing and the number of jobless is less than 1 per cent of the labour force. Capital outlays, which accelerated sharply last year, are now forecast to lag less than expected in 1986. The current account of the balance of payments showed a surplus equivalent to well over 4 per cent of gross national product last year.

Switzerland's comfortable economic prospects can be interpreted by the OECD economists for example, as virtue rewarded. By sticking to a consistent anti-inflationary policy based on a restricted money supply and not over-reacting to changes in circumstances, the authorities have kept open the path to medium-term economic growth.

One has to look hard for possible shadows over the medium-term outlook. Could the one-time impact of the fall in oil prices on the consumer price index be disguising a stronger underlying inflationary trend in the domestic economy? Industrial performance has improved markedly and overall company earnings were substantially better last year. Among the big concerns which had been evoking concern in 1985 and resumed dividend payments while Oerlikon-Bührle has just won a crucial order from Canada for the new air defence and anti-tank missiles in which it has invested heavily.

On the other hand, Dr Fritz Leutwiler, the new chairman, needs time to reverse Brown Boveri's poor profit performance and the management changes at Alpi Suisse have led to the disclosure of unsuspected troubles.

The question mark over the international competitiveness of Swiss industry has not yet been removed in spite of the stunning comeback of the watchmakers. Last year the Swiss benefited from both buoyant demand in their main trading partners and an unusually low exchange rate for the Swiss



franc, which has since been corrected.

Swiss engineering companies started to restructure and introduce new production technologies later than their foreign rivals. Investments in rationalising appear to have been high over the past two years and productivity has been improved, but the changes will have to be tested over a longer period.

The table on page 1 gives the latest — and most optimistic — forecast from the economic research department of Zurich technical university (ETH). It includes a late revision in April, taking into account the fall in the price which induced the ETH forecasters to raise their growth estimate for real Gross Domestic Product this year from 2.5 per cent to 3 per cent.

This compares with the 2.5 per cent forecast by the economic research department of the National Bank of Switzerland (NBS) and the 2 per cent tabled earlier by the government commission for economic questions. The ETH also estimates GDP growth at 4 per cent in 1985 compared with the government economists' more cautious provisional estimate of 3.7 per cent.

ETH's 7 per cent forecast for the increase in the real trade-weighted rate for the Swiss franc also differs markedly from the latest — and assumed by most other forecasters, although its estimate that growth in exports will slow down to 4.5 per cent while imports continue to grow at 5 per cent is more in line with the others.

Some uncertainty surrounds the effect of the appreciation in the Swiss franc. Last year the share of exports to the US in the total value of Swiss exports jumped to over 10 per cent from the average of 8.5 per cent recorded in 1980-84 and was a bullish element in the export performance.

Exports to the US had already started to stagnate in the last months of 1985 parallel

to the depreciation in the dollar, while growth switched to Europe, mirroring the recovery there and in particular in West Germany which takes some 20 per cent of Swiss exports.

The appreciation of the Swiss franc has followed that of the D-mark with only a slight variation: some economists ask whether the real relative strength of the economies warrant this close link and raise the question whether the franc may currently be overvalued against the D-mark.

There has been no pressure on the National Bank as yet to start looking at exchange rates but some 40 members of parliament have submitted a question to the government on exchange rate development. The implication is that some message exists within industry.

Wages and salaries are likely to rise by around 5 per cent in 1986 compared with the 2.5 to 3 per cent annually in the last two years. Wage bargaining is decentralised in Switzerland. The trade unions, too, tend in recessionary periods to look for jobs rather than wage increases.

This year — virtue rewarded again — they are likely to get both. About 30,000 new jobs are expected to be created and with inflation pegged to around 2 per cent the wage rises will substantially boost purchasing power.

UBS survey found the large retailers planning to expand their capital spending again in 1986 while industrial companies in general anticipate that domestic demand would bring a renewed upturn in order volume in the second quarter following a slight dip in the first three months.

A query can be raised about the Swiss inflation rate. The tight control of the monetary base over the past few years by the National Bank has succeeded in keeping the increase in prices well below those of most other European

countries but the deflation may be less securely anchored than, for instance, in West Germany.

In March the annual inflation rate fell to 0.9 per cent, largely helped by a 5.2 per cent decline in petrol prices during that one month alone. No forecasters expect that level to be maintained, even if the 2 per cent increase on an average annual basis for 1986, for which most of them plump, would be deemed to be highly satisfactory in most countries.

However, the ETH breakdown of the consumer price development shows that the downward thrust has been strongest in imported goods and services. The domestic component, which has a weight of some 70 per cent in the index, has remained consistently above 3 per cent over the past two years and was still at an annual rate of 3 per cent in February.

It would be wrong to highlight such questioning in assessing the present condition of the Swiss economy. The current inflation rate understandably is regarded more as a matter for congratulation than for concern. Moreover, other events have shown that the Swiss are making the adjustments needed to put their economy on a sounder basis following the recession of the early 1980s.

The Federal Council, for instance, has now lifted its limit on recruitment of staff at the universities, a measure imposed to tighten public spending and budget discipline. It had become clear, however, that this restriction was preventing the universities from training electronic engineers urgently required by companies striving to modernise production processes and renew products.

Within a global context, where bigger players dictate, the Swiss have to ensure that their goods and services stay competitive. For the time being they appear to be successfully restoring their position.

Record volumes of business

Capital markets
JOHN WICKS

THERE ARE still no signs of expansion in the Swiss franc capital market reaching a limit and after record volumes last year 1986 began with another series of all-time highs.

With the currency still strong and stable, the economy set fair to enter its fourth year of real-terms growth and a 1986 surplus on current account which could rise to over SwFr 11bn, Switzerland remains a major attraction for both borrowers and investors.

In the long-term sector the market is now dominated by foreign issues. Last year the total of new money raised by the public issue of bonds by non-Swiss borrowers jumped by one-half over the 1984 figure — itself a record to over SwFr 16.7bn. For the first two months of the current year alone this sum has reached more than SwFr 5.7bn.

Following the lifting of the foreigners' Swiss franc bond ceiling last May, an increasing number of borrowers have placed large individual issues such as the recent zero-coupon offers by the Asian Development Bank and Pepsi Company of SwFr 500m and SwFr 400m respectively.

Further encouragement came at the end of January when the big banks' underwriting syndicates reduced issue fees and removed source-listing commissions for new foreign Swiss franc bonds.

The sharp increase in the

bond business was the major reason for an overall rise in Switzerland's capital exports last year. Foreign borrowings subject to national Bank approval grew by more than 14 per cent to a new high of nearly SwFr 46.4bn, of which nearly SwFr 4.2bn were in currencies other than the Swiss franc.

Within this total, however, medium-term notes were still predominant and showed a slight increase to SwFr 19.45bn. This volume keeps high primarily because of the lively demand on the part of Japanese borrowers.

Latest National Bank figures show that the notes market also began 1986 at levels above the substantial volumes for the same period of last year.

All in all, capital exports reached a record figure in the January-February period, even though there was almost no growth in banks' finance and export loans.

In its annual report, published in Bern on April 25, the National Bank says the substantial volume of foreign borrowings reflects the significance of Switzerland as a turntable for international capital. It points out that a large part of the corresponding issues are, in fact, also subscribed by foreign investors.

For all that, one of the Swiss market's greatest strengths is the huge demand for Swiss franc securities on the part of institutional and private investors at home. The banks alone have securities portfolios of something like SwFr 50bn. At the end of 1985, the latest date for which figures are known, Swiss insurance and re-insurance companies had combined

bond holding of about SwFr 36bn.

A particular boost is already making itself felt with the expansion of the country's pension funds, whose total assets are likely to reach 200bn or more by the end of the century. They have traditionally been major bond buyers.

There is also a substantial domestic borrowing potential on the Swiss public securities market. Last year the new-money call in the long-term sector rose from SwFr 8.95bn to SwFr 8.94bn on the part of Swiss borrowers (including foreign-controlled or international entities domiciled in the country), or close to the 1982 record. This was, however, largely the result of increased bank issues, up to some SwFr 4bn of the overall total.

Public authorities were in no great need of new funds, while industrial companies took advantage of the soaring share indices to raise money through rights issues. In all, new share issues jumped by over one-third to SwFr 2.3bn, their highest level since 1980.

In the first months of this year the corporate sector has continued to offer large slices of new equity — some SwFr 550m worth in January and February alone, or as much as in the whole of 1982. The continued health of the Swiss bourses and the flood of new participation certificates issued make it likely that 1986 will break all the records here too.

On the investors' side, demand seems likely to flourish for a long time yet. There is no reason to believe that the Swiss franc will become a transaction risk currency in the foreseeable future, while the very act of having an issue underwritten

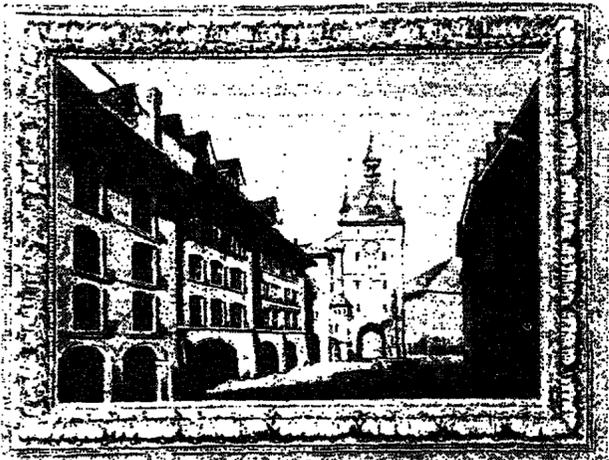
in Switzerland still — despite the occasional appearance of a borrower with low credit ratings — represents something of a seal of quality.

For domestic investors Swiss franc engagements naturally obviate any chance of a currency loss. Besides, inflation in Switzerland itself is now down to a more than seven-year low at a March level of 0.9 per cent a year. This means that the real interest rate is high on coupons of around 4.25-4.5 per cent for straight bonds of first-class domestic addresses.

Capital-market interest rates are not necessarily about to decline, however. With Euro-Swiss francs at 4 per cent for three months, time deposits of this maturity are still running at 3.25 per cent. In the medium-term sector five- and six-year "Kassenobligationen" (the banks' own over-the-counter notes) pay 4.5 per cent.

Despite an average yield of only about 1.55 per cent, Swiss funds also look more attractive in the light of better corporate profits and dividends.

So far this year domestic bond-market issues have barely reached corresponding 1985 figures. For the next few months it seems rather unlikely that there will be much of an upswing, since public spending is still restrained on the one side and in the corporate sector most companies seem to be enjoying adequate liquidity. As for personal borrowing, demand has been increasing both for banks' advances and loans and in the important mortgage sector. At the end of 1984 total mortgage debt had already reached nearly SwFr 227bn, by far the world's highest in per capita terms and a sum which has since grown noticeably.



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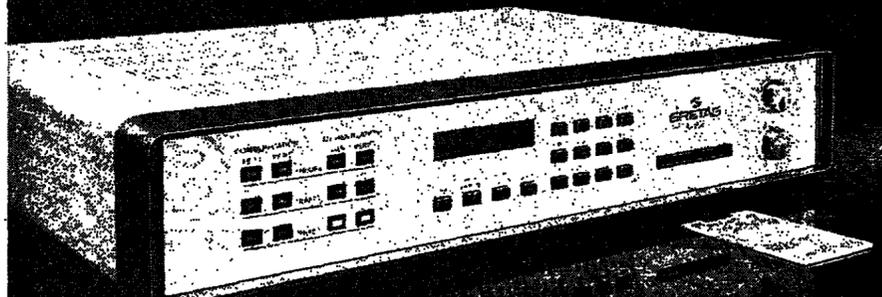
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SWITZERLAND 3

Mood of concern about change

Politics

W. L. LUETKENS

ELECTION posters have sprung up on streets and squares of the Swiss canton of Berne. Most of them are pretty subdued, but one does scream for "and end to financial scandals, to the rape of the environment and to the refugee scandal."

A newcomer might conclude that Switzerland was on the verge of chaos. Far from it: the Swiss are affluent, orderly and content with their lot.

But that poster does hit off something about the mood in the country. Recent political events and above all the referendum in a referendum, to the Government's proposal at last to join the UN, bespeak a fear of change lest it be for the worse. They also bear witness to a fear of the outside world typical of many small states.

A leading Swiss political scientist, Prof. Leonhard Neidhart, has described this phenomenon as "neo-Helvetia fundamentalism" meaning nostalgia for traditional values and for the good old times. Such psychological isolationism contrasts oddly with the financial and commercial integration of the Swiss into the outside world to which they owe their affluence.

The three points on that

poster in Berne all play upon well-known fears. The reference to financial scandals primarily concerns some local affairs of limited importance. But it also aims at a well-established popular feeling that the Swiss banks have become too big for the country's boots, that they are dragging it into entanglements with an unpredictable world of international finance and politics.

Fears

The reference to the environment plays not only upon the German-speaking peoples' well-known fears for their forests but upon a degree of industrialisation that is hard to crowd into the limited available space in a small and mountainous country. The reference to refugees concerns one of the acutest current political worries: what to do about a stream of people, mainly from Sri Lanka, Zaire, and Turkey, asking for political asylum.

It is a fertile issue for the so-called xenophobes — so-called because only a few of them are really fierce — and had a lot to do with the rejection of UN membership by popular referendum on March 16. One of the main personalities who led the successful campaign against joining was Dr. Christoph Blocher, a member of the National Council (lower house of parliament) for the conservative Swiss People's Party.

To Dr Blocher the issue is

settled for at least 10-20 years unless either the UN or Switzerland change fundamentally. Clearly he expects no such change.

An interesting fact about Dr Blocher's party is that though a member of a coalition government that had campaigned for membership — it advised its members to vote "no." But there was no question whatever of it leaving the coalition — nor of the Socialist Foreign Minister, Mr Pierre Aubert, or anyone else resigning when the people rejected so fundamental a proposal by a majority of three to one.

Dr Blocher puts it like this: "The voters said to the Federal Councilors (the seven ministers of the federal cabinet) 'You are doing a good job, but in this case we have decided differently from you.' And he goes on to cite a frequently-heard paradox that Switzerland does not have an opposition in the usual sense of the word — "our opposition is the electorate."

The important point here is that Dr Blocher places himself squarely within the political establishment, not among the protest vote against the system. In modern Switzerland the political pendulum does not swing from one party to another; instead the entire political establishment swings to keep up with changes in the popular mood as expressed by referenda. At present the swing is towards the

Right rather than the Left.

The Federal Government, consisting since 1989 of two Socialists, two members of the Radical Party (moderate conservatives, or in Continental terms liberals), two members of the Christian Democratic Party (which has left and right wings) and one member of the Swiss People's Party, is swinging with that trend.

It will not do to exaggerate that trend. Besides campaigning against the UN, Dr Blocher also tried but failed to get the people to reject legislation greatly liberalising the law of marriage and enhancing the rights of married women.

But the general pattern is clear. It has already led to a tightening up of the procedure for granting or refusing political asylum to refugees, genuine or pretended. Several deportations of both individuals and groups have led to bitter complaints from church leaders and others, but a further tightening may be expected.

No doubt there will be many hard cases. But in practice in the past has been relatively liberal and procedure has been lax. Some applicants for asylum have been in Switzerland for four or five or even more years and have still not received a ruling. A more summary procedure has been introduced, which has sensibly reduced the influx of applicants. There can be no doubt that

many came because they wanted to latch on to Swiss prosperity. The basic criterion applied in deciding cases is whether the applicant personally faces persecution by the authorities in his homeland — which implies that his lot must be worse than that of his average fellow citizen.

The presence of almost 20,000 applicants for asylum, concentrated largely in a few bigger towns plus 5,200 persons granted asylum since 1980, has built up considerable political pressures leading to xenophobic electoral successes in the Canton of Geneva and elsewhere.

Majorities

But these successes have been limited. The government parties have retained majorities everywhere. No member of the xenophobic parties, the Nationale Aktion in German-speaking Switzerland, the Vigilants in the French-speaking West, has ever been elected to the Federal Council by the Federal Parliament or to cantonal ministerial office by the voters in any of the cantons.

That will not be changed by the poster mentioned in the first paragraph. This is intended to promote the interests of Mr Markus Ruf, the eminent terrible of Swiss politics, in his campaign for election to the cantonal government of Berne.

Unlike Mr Blocher, Mr Ruf

has stationed himself outside the political establishment, in Nationale Aktion, and has proved too radical in his populism even for the party leadership.

Mr Ruf caught some headlines when he asked the police to issue him with handcuffs, supposedly to arrest and deport a few asylum-seekers himself. With such antics he is more likely to frighten off voters than to further his avowed political ends. Far from it, he has split his own party. The party's longstanding honorary president, Mr Valentin Oehen, resigned in disgust.

The entire Swiss political system does not lend itself to extremism. The perpetual four-party coalition and the checks and balances of the constant referenda favour slow movement, not drama, dullness, nor histrionics.

In fact, half the electorate or more never bothers to vote. Some are not interested in politics, some feel out of their depth. Others feel that they won't change things anyway (which is odd in a country where even rates of taxation are subject to referendum).

But a fair number of the abstainers, judging by studies commissioned by worried politicians, feel that all is for the best anyway, so why bother to vote, let alone agitate for change?



Pierre Aubert, Federal Councillor (minister) in charge of external affairs who campaigned in vain for UN membership

Size of the protest vote

Percentage shares of poll at parliamentary election 1983

| Establishment parties: | Non-establishment parties: |
|-------------------------------------|---|
| Government Radicals ... 23.4 | Independents ... 4.0 |
| Socialists ... 22.3 | Communists and similar ... 3.1 |
| Christian Democrats ... 20.2 | Nationale Aktion ... 3.5 |
| Swiss People's Party ... 11.1 | Greens ... 2.9 |
| Total government ... 77.5 | TOTAL PROTEST ... 12.5 |
| Other establishment: | |
| Liberals ... 2.8 | |
| Protestant Party ... 2.1 | |
| Total non-government ... 4.9 | (Another 4.1 per cent of the vote went to splinter parties.) |
| TOTAL ESTABLISHMENT 82.4 | |

PROFILE: ELISABETH KOPP



Holding the hot potatoes

THE FIRST and so far only woman minister in the Swiss Government is holding what looks like the two hottest potatoes in Swiss politics.

As head of the Department for Justice and Police, Mrs Elisabeth Kopp is in charge when foreign states apply to Switzerland for help to catch suspected criminals by lifting bank secrecy. It is also her job to pick a delicate path between the traditional Swiss policy of granting asylum, and the rising public discontent with an influx of refugees, real and pretend.

Requests to lift bank secrecy have been very much in the forefront with the new regimes in Haiti and the Philippines trying to recover fortunes said to have been spirited away by their former rulers. But more constant and troublesome pressure comes from US attempts to trace money misappropriated or stolen by American fraudsters and thieves.

The law will not allow Mrs Kopp to help unless an offence is alleged that is punishable under Swiss law. Tax evasion, unless accompanied by fraud, is not such an offence, a fact of Swiss law that infuriates the Americans.

Solved

Mrs Kopp says: "That is an irritant that we and states with which we are friendly will have to live with." The fact remains that while she has been in office, several disputes with Washington were amicably solved.

Mrs Kopp, 49, and with a ready laugh, has won praise from the political centre for her handling of the refugee problem. On the other hand, church groups have accused her of being too tough and the xenophobes say she is too lax.

She is sure, she says, that a great majority of Swiss want to give asylum to those who do face personal political persecution in their home country, but adds: "The Swiss do not wish the right of asylum to be abused."

Her main concern is to plug loopholes since, in the official view, 80 per cent of the applicants for asylum do not face direct persecution at home (however unpleasant life may be) and second, to speed procedure so that applicants will know the decision within six months

at the most. Waits of four to five years have been common, greatly adding to the annoyance of those who are aggravated by the influx.

Mrs Kopp became a Federal Councillor, as the Swiss call their ministers, through election by the Parliament in 1984 and was only the second woman to have been nominated for membership of the Council. Once elected, federal councillors are pretty sure of regular re-election until their strength gives out, so her hold on the top rung of the political ladder looks assured.

She worked her way to the top through local politics, including a spell as mayor of her home community at Zumikon, near Zurich. In 1979 she was elected to Parliament as a member of the Radical Party, the party of the industrial and financial establishment.

Mrs Kopp holds a law degree but has never practised. She helped her husband, a lawyer, whom she married soon after graduating, and for several years devoted her energies largely to their home and to a daughter, now 22. She still proudly displays her daughter's photograph, and lists family, pets and cooking among her weekend interests after a strenuous week in Berne.

Though she has never been especially active in women's organisations, Mrs Kopp regards her election to the Federal Council as a great stimulus to women's ambitions in what is generally considered a male-dominated society.

Her ministry is combing through legislation to find out where it conflicts with the constitutionally-guaranteed equality of the sexes. The question of equal pay for work of equal value promises to be especially hotly.

What of Swiss attitudes to women's equality in general? "It is increasingly accepted," Mrs Kopp says, and points out that a share of 11 per cent for women in the Parliament is high and that it is increasing.

Moreover, she says, one woman in a Federal Council of no more than seven members represents 14 per cent of the country's government — and at the head of a key department at that.

W. L. Luetkens

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Recovery from recession

Engineering

JOHN WICKS

THE SWISS engineering industry, badly hit by the international recession of the early 1980s, continues to recover. Last year saw a marked improvement in demand for capital goods, both at home and abroad, which is already being reflected in sales and earnings figures.

Many individual manufacturers are still far from financial health but 1985 has at least put some colour into their checks.

According to the Swiss Association of Machinery Manufacturers (VSM), the value of new orders received by 200 of its member companies—which together account for most of the industry's output—rose 10.2 per cent last year to a record level of more than Sfr 19.5bn.

Within this total, Sfr 12.5bn was made up of foreign contracts, making an increase of 7.4 per cent even though there were no really major single orders comparable with those placed in 1983 and 1984. Domestic orders jumped by 15.6 per cent to Sfr 7bn, due not least to the awarding of local contracts for a new tank series.

This augurs well for the coming months. By the end of 1985 work in hand at 260 VSM companies was the equivalent of 7.4 months' output, as compared with 6.9 months a year earlier and an all-time low of 5.7 months in summer 1983, when every major product group in Swiss engineering had a backlog shorter than its average throughput time.

Order books are still nowhere near as thick as before the oil

crisis but capacity rates are today much better than they were a few years ago. This is due, however, not only to increased demand but also to large-scale restructuring and the shedding of at least some of the industry's uneconomic operations.

Initial results are already available for industry performance in 1985. Swiss Government figures show that turnover in the metals and machine-building sector rose by 9 per cent over 1984, while the VSM says output by the machine-building companies taken alone improved by 7 per cent. Overall exports for the so-called "metal industry" (including machinery, metal products, watches and aluminium) went up 12.3 per cent to a record Sfr 23.8bn despite a rise of only 2.9 per cent in average prices.

A particular comeback was that of the machine-tool industry, which had been in a bad way. Last year Swiss exports in this sector jumped 30 per cent to a new record of over Sfr 2bn. According to the Zurich-based body Wirtschaftsförderung, Switzerland is the most important foreign supplier of machine tools to the Japanese market, accounting in 1985 for almost one-third of Japan's imports in value terms.

The overall recovery is echoed in this spring's crop of annual reports. Among the top names, Colson Brothers and Von Roll have returned to the profits zone on a group basis. Geisler reports a marked rise in earnings and Brown Boveri expects an improvement.

Group profits fell slightly at Schindler, however, and the stricken Oerlikon-Bührle concern expects that a poor showing in its assembly division will keep the consolidated earnings figure down to its very modest 1984 level.

In terms of size, though, Swiss engineering seems unlikely to return to its heyday. Some 10 per cent of all jobs have been phased out in the past ten years, with some 110 production units closing down in the period 1981-85 alone.

In recent months employment has increased slightly (actual unemployment remains minimal at under 1 per cent of the workforce) and most employers questioned in a Government survey said they thought this trend would continue. Even though this will hardly lead to a major expansion in payrolls, it is yet another indication that things are looking up.

In any case, the re-dimensioning of the industry has been accompanied by a high degree of rationalisation. Since 1975 turnover of the metals and machine-building sector has increased by 39 per cent and machinery production alone by 32 per cent, despite the substantial shrinking in physical plant and labour.

Precision tools

Switzerland has also remained a force in the world mechanical engineering market. Latest figures put it in second place as a producer of textile machinery, precision tools and fourth place in the printing-machine, machine-tool and steam-turbine sectors.

In fact, the Swiss manufacturers have an even greater success than these country-of-origin comparisons suggest in that an important part of the multinational companies' total capacity is located abroad.

This year has started encouragingly. "There's a good feeling about in the industry," says VSM director Dr Martin Erb. The official Commission for Economic Studies in Bern fore-

casts a sharp rise in orders from Western European customers and a further acceleration in domestic demand as investments rise to meet high capacity use and a simultaneous need to improve productivity.

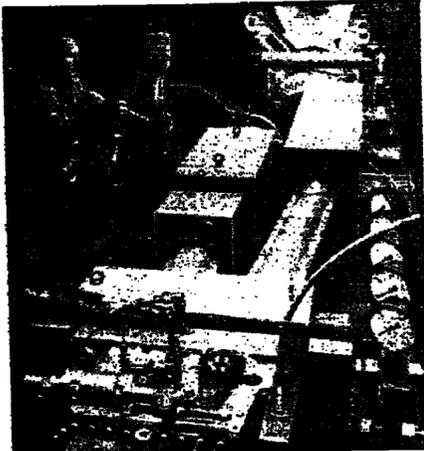
No figures are yet available for the first quarter of 1986 but it is generally assumed to have been a good one; the association is already hoping for another satisfactory year, albeit probably with growth rates at below 1985 levels.

Swiss suppliers admittedly are no longer benefiting from the very strong dollar rates of early 1985. The 35 per cent rise of the Swiss franc against the US currency since February of last year has not been accompanied by a comparable overall strengthening of the exchange rate, though.

Of particular importance to Switzerland is the fact that there has been hardly any alteration in the cross-rate to the D-Mark. The Federal Republic being not only by far the biggest trading partner in engineering exports but also the most powerful competitor on the world market. The virtually automatic adjustment of the Swiss franc following the recent realignment of the European Monetary System shows there is little chance of imbalance in Switzerland's trade relations with neighbouring Community members.

Generally speaking, Swiss machine-builders appear to be increasing deliveries to industrialised countries faster than those to other markets. This is the result primarily of reduced spending by oil-producing nations and threshold countries with heavy debt burdens. It also reflects that fact that the national export-risk guarantee system has become dearer.

Today, probably less than 10 per cent of Swiss engineering



Test bench for heavy pistons at the Kius works of Von Roll

exports are backed by the ERG programme, as compared with previous highs of up to 35 per cent. Insurance with the system can still mean the difference between obtaining or losing a major contract. For example, the authorities are still trying to decide whether to support a SFr order which Brown Boveri could be awarded in connection with the huge Marmara coal-fired power station in Turkey.

Another problem concerns innovation. Although the Swiss machine-building industry is said to have a surplus on its licensing balance amounting to billions, there are some misgivings that it is failing to keep up sufficiently well with modern technology.

At the last annual meeting of Motor-Columbus, Mr Michael

Kohn, its chairman, drew particular attention to "the gap which has opened up in micro-electronics and especially in the provision of sufficient education in data processing." He urged improvement in programmes offered by the federal polytechnic and technical colleges.

The companies themselves are trying harder in the field of research. While some of them appear to be hanging on to traditional product groups with little real sophistication—and not much chance of renewed prosperity—more and more are going into R and D. By 1983, Swiss machinery and metal companies were spending an annual Sfr 2.23bn on this (over Sfr 1.5bn in Switzerland itself) and this figure has gone up substantially since then.

Savouring the results of an excellent year

Chemicals

JOHN WICKS

FOR MOST of last year the Swiss chemical industry had difficulty in savouring its good fortune to the full. A referendum proposal on December 1 sought a virtually total and immediate ban on animal testing, a move which would have dealt a body blow to the country's important pharmaceutical and agro-chemical facilities and led the Basle manufacturers to relocate a substantial part of their domestic activities to foreign sites.

As unlikely as the motion was to gain a popular majority—in fact, it was thrown out by more than two to one—the mere possibility of its success was a sobering thought. It had been estimated that the ban would cost an eventual 13,000 jobs, most of them in the Basle area, and something like Sfr 1bn in added value.

Now that the threat of that particular measure has been lifted, the industry can take stock of just how successful a year 1985 was. According to the Swiss Society of Chemical Industries (SGCI) in Zurich, which is usually cautious in its choice of adjectives, overall results were good to very good last year thanks to the

continued economic upswing and the relatively low inflation rates in developed countries.

The society's statistics show a 6.2 per cent rise in chemical output and 8 per cent in turnover; Government figures were only slightly less positive at 6 and 7 per cent respectively. Capacity utilisation rates, already excellent, were up again while production costs were kept down by the radical rationalisation policies launched in the early 1980s.

Turnover

Although no overall figures are available for the sales of Swiss chemicals, an idea of their magnitude is given by the fact that 1985 exports amounted to Sfr 14.1bn (a rise of 10.7 per cent over the previous year). It is generally assumed that at least 85 per cent of Swiss-made chemical products go to foreign markets, so industry turnover doubtless exceeds the Sfr 16.5bn mark.

Chemical exports account for more than 21 per cent of all Swiss merchandise sales to the world market, their surplus over corresponding imports contributing nearly Sfr 5.2bn to the country's balance of payments.

In fact, national indicators account for only part of the international significance of the Swiss producers, most of whose

capacities are today outside Switzerland. The four Basle companies—Ciba-Geigy, Hoffmann-La Roche, Sandoz and the Alusuisse subsidiary Lonza—alone booked combined 1985 turnover in excess of Sfr 37.3bn.

The already predominant "expatriate" sector of the industry continues to expand. This is particularly noticeable in the growth of the substantial Swiss presence in US chemical production. In the past 12 months Sandoz, Ciba-Geigy, Lonza and the Geneva-based flavours and fragrances specialist Firmenich have all announced new acquisitions in America; this quite apart from various Swiss joint-venture, capacity-expansion and research-agreement investments there.

The high liquidity of the Swiss companies, together with their keenness to crack new markets and enter into new technologies, will doubtless lead to a further series of takeovers this year.

It remains to be seen whether 1986 will prove quite so profitable for the industry as last year, when the "Big Three" (Ciba-Geigy, Roche and Sandoz) showed improvements in their consolidated net earnings ranging from 18.3 to 29 per cent. Return on sales, for many years definitely on the modest side in the Swiss chemical industry, was almost back to the levels enjoyed before the 1970s oil

crisis.

Each of the major companies has proposed a dividend increase in respect of 1985, from the end of 1984 to the end of the year, the chemical share index of Swiss Bank Corporation jumped 67 per cent to little short of 1,000 points.

For the time being, business still looks good. While the industry has long ceased to benefit from the high dollar of the first half of 1985, international demand is holding up well and expected in Bern to stay satisfactory for the next few months at least.

Low dollar

Even a new fall in the dollar would probably have only a limited effect on the Swiss chemical multinationals, whose largely high-specialised product programme allows at least a certain price elasticity. There would, of course, be a translation loss in the group's important American earnings but a low dollar by the same token makes US subsidiaries more competitive.

The industry will still not be able to rest up, though. With the high Swiss standard of living and the strong currency, only sophisticated products are generally economically viable. Even the Basle chemical industry can find that some of its output is nearing commodity

status, as shown by parts of its dyestuff and vitamin programmes.

The urgent and growing need for innovation has long made the major Swiss chemical producers spend large shares of their income on research and development—up to 15 per cent of sales in the case of the so-called "biological" sectors such as pharmaceuticals, diagnostics and agro-chemicals. More than half of all industrial research expenditure in Switzerland is accounted for by the chemical companies as compared with probably less than 20 per cent in the US.

R & D spending for last year will have shown a further noticeable rise after having reached more than Sfr 3.2bn on the part of the four Basle companies in 1984. Even this might be barely enough, some observers claiming that Switzerland is no longer quite so innovative as it was.

Not are the chemical producers prepared to accept that their management and corporate structures are the last word in efficiency and efficacy, even after the large-scale re-thinking of a few years ago. Few industries will change so quickly and radically as the health-care business, according to Mr Fritz Gerber, Roche's chief executive when he heralded a re-vamping of top management last month.

Sandoz, for its part has decided to bring the pharma-

ceutical activities of its Bernese subsidiary Wander (best known as the maker of "Oraltine") to Basle, while concentrating its foodstuff activities in Bern; a recent re-structuring was carried out in the food business in the US. At Ciba-Geigy, Dr Alexander Krauer—a trouble-shooter who some years ago straightened out the crisis-ridden Iford subsidiary in England—has been nominated to succeed Dr Louis von Planta as chairman and managing director next year.

Among the smaller companies, the Siegfried concern of Zofingen has decided to introduce more of its equity to the market by creating participation certificates.

The chemical industry remains sensitive to external influences. Apart from the exchange rate, these include questions such as an erosion of action to bring down health-care costs, and international protectionism, says the SGCI. As 1970s and last year's animal-rights campaign proved, the Basle managers also have to develop a feel for local public opinion; the next case could already be on its way with the about Ciba-Geigy. Generally speaking, though, the Swiss suffer less than some other nations from "chemophobia" as they showed in the December 1 vote

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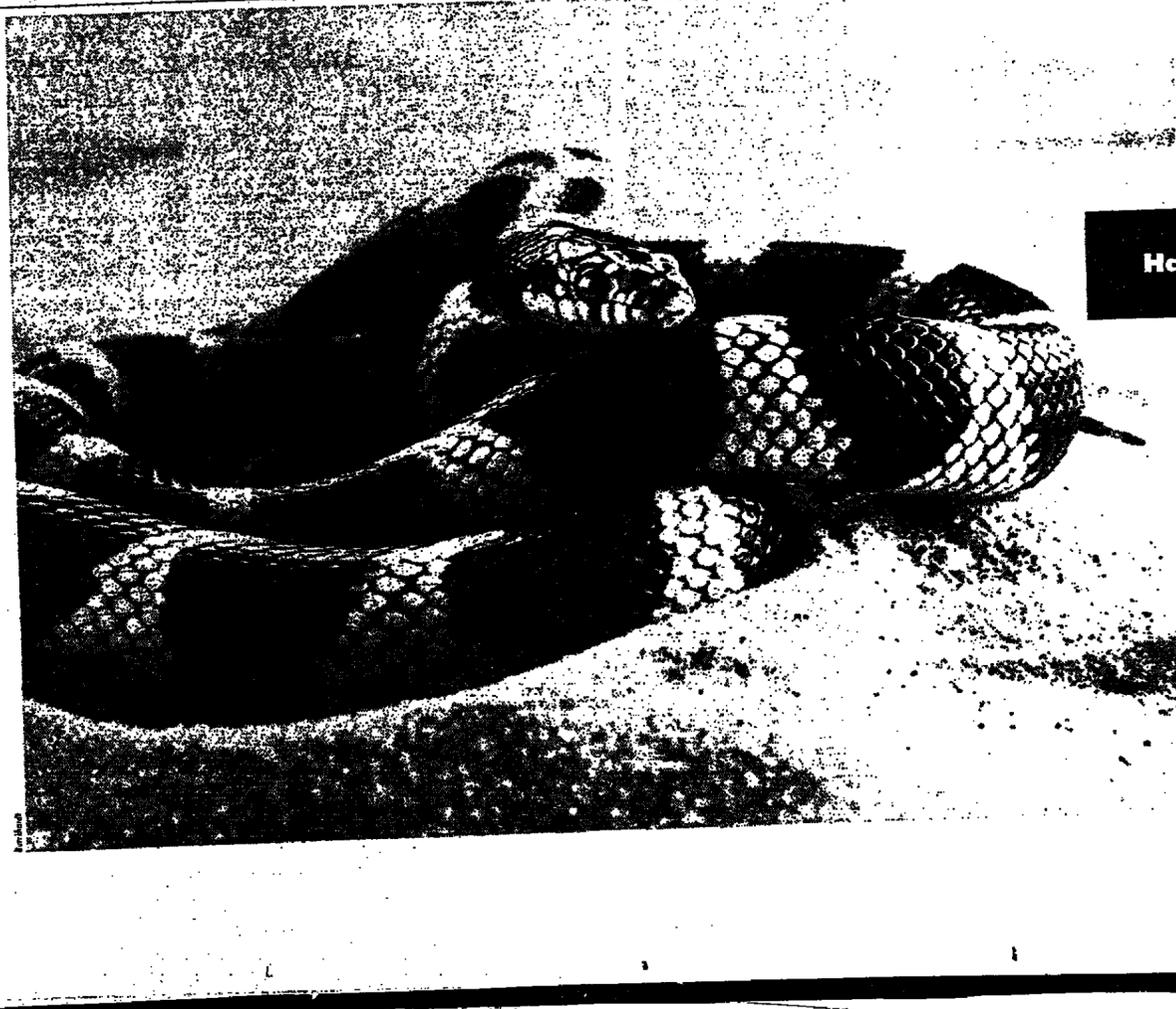
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SWITZERLAND 6

Fashion circus lifts exports

Watch industry

W. L. LUETKENS

THE SWISS always did make good watches. Now they have learnt how to sell them in a world transformed by quartz technology and fierce competition from Hong Kong and Japan.

Quartz has made good time-keeping commonplace and cheap. As a high-wage country, Switzerland had to provide something extra when the Japanese almost brought the Swiss industry to its knees in the late 1970s.

That something extra was style, luxury or, in the lower price range, the almost impudent marketing circus of Swatch and similar watches as fun and fashion wear.

A good watch often used to last a lifetime. Now the makers of the plastic-cased variety are delighted to find that the real enthusiasts may wear several of these new watches simultaneously. Swatch now plans two annual changes of styling to keep the fashion alive.

Mr Robert A. Hussey, an executive at SMH, the largest Swiss watchmaking concern and producer of the Swatch, sums up the Swatch revolution by saying: "It is so delightfully un-Swiss." Un-Swiss or not, the Swatch and others of its kind have helped to reassert Switzerland's primacy in world markets.

Though total exports last year of 57.3m watches and movements lagged well behind the 126m exported from Japan and the 399.5m exported from Hong Kong, by value the Swiss were well ahead: exports of SFr 4.3bn (about £1.5bn) in 1985 as against SFr 3.5bn from Japan and SFr 2.8bn from Hong Kong. (The figures are those of the Swiss Watchmakers' Federation. In the case of Hong Kong they are inflated because the colony imported watches and movements worth SFr 1.9bn in 1985, most of which were re-exported.)

A recent study of the industry, made by the Union Bank of Switzerland, states that the Swiss have regained market share since the near-collapse of the 1970s, to the point where they supply 10 per cent of world exports of watches and

complete movements by volume, but 45 per cent by value. The Japanese share is about 35 per cent in both cases and that of the rest of Asia, including Hong Kong, 50 per cent by volume, but a mere 14 per cent by value.

Behind the figures there are several facts worth noting. Unlike Hong Kong, the Swiss have no truck with the very cheap and labour-intensive simple digital watch. Unlike the Japanese they are not committed to very high volume production, at the cost of some economies of scale, but gaining, instead, greater potential flexibility.

Finally, the figures demonstrate that the Swatch revolution, having taken place at the cheapest (though not the cheapest) end of the market, does not tell the full story of recent events.

Luxury

To be complete the story must include the luxury watchmakers, who are thriving, and the makers of watches in the middle price range, the sort of thing that used to be given as a 15th birthday present. It retails in Switzerland for SFr 150-500 (about £54-150), compared with about SFr 50 for the Swatch. The medium range makers still suffer from the traditional fragmentation of the industry, though Dr Daniel A. Kellerhals, director-general of the watchmakers' federation, feels that such diversity, provided it is not excessive, gives the chance to achieve the flexibility called for in an age when fashion and marketing are increasingly important.

Besides some very specialised businesses, such as makers of faces or hands, the federation still has 220 members who assemble complete watches, a number that is likely to decrease. Those who survive will have to show inventiveness in styling and technology, but also in their marketing.

Since that costs money, some makers have teamed up with owners of well-known brands of other consumer goods. The watches are sold under the label and through the outlets of these brands and made to fit their image.

This is a variation on the theme of the Swatch which has established its own brand image and given rise to a small industry producing accessories

such as costume jewellery or sunglasses matching the current Swatch ranges. The Swatch-maker, SMH, commissions the goods and charges for the right to copy the patterns.

The Swatch craze was the major element in SMH's return to profit. Consolidated profit for 1983 was zero, rising to SFr 26.5m in 1984. Figures for 1985 are not yet available: a forecast of SFr 86.5m was made last November, but has been rendered out of date by the decline of the dollar and by the need to rescue one of SMH's businesses, Omega.

But Mr Hussey says that none the less 1985 was a good year, and that the indications for 1986 are good. Of the dollar, he says that "we can just about live" with the present exchange rates.

For the Swiss industry as a whole it is important that SMH should do well, since its ETA division provides about three-quarters of the electronic movements needed in Switzerland.

In the rarefied atmosphere of the Geneva luxury watchmakers, the biggest Swiss watch maker, has recovered from a bad patch came last year when a group of Swiss entrepreneurs, headed by Mr Nicolas G. Hayek, increased their stake to 51 per cent of the shares and undertook to hold on to them for at least seven years. A group of banks, which still holds about 30 per cent, at the same time wrote off some SFr 230m it had provided to keep the concern (then still known as Asuag/SSIH) afloat.

In the rarefied atmosphere of the Geneva luxury watchmakers, mundane events such as reconstruction or sagging sales are hardly known and certainly never breathed about. They do not talk much about their busi-

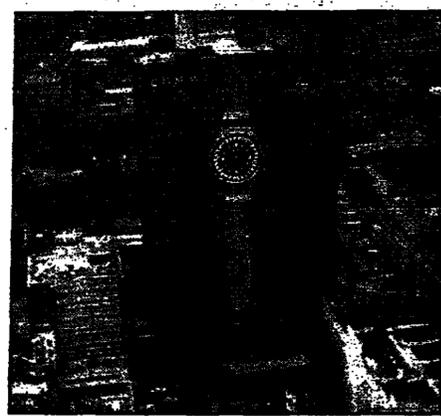
ness, but as a rule cannot (and probably do not want to) keep up with demand.

One of the most aristocratic, Patek Philippe, gives a sales figure of about \$40m for 1984. Output varies from 10,000 to 12,000 pieces, all hand-made. The price range, in Switzerland, ranges from SFr 5,800 for a plain gold watch with hour, minute and second hands only, to over SFr 500,000 for a piece made to order, decorated with jewels or enamel miniatures, incorporating a perpetual calendar and a repeater and showing the phases of the moon. It may be a stopwatch, too, and will even tell the time of day.

Patek Philippe, now owned by the Stern family of Geneva, claims to be the only watch company that will still decorate a watch for you with an enamel miniature of your own choice. So delicate is this work that the artist may have to pull out a hair from her head to paint on the finer detail.

But the main interest of the business is in the perfection of its mechanical movements which appeals to the horological enthusiast fascinated by a works that may contain up to 800 hand-made pieces. About one in three of Patek Philippe's watches for men are mechanical but women seem to be more down to earth: the share of quartz movements is 60 per cent among the women's watches.

With engaging frankness, Patek Philippe describes the mystique of the hand-made mechanical watch as an "incredible anachronism." It never breathes about. They do not talk much about their busi-



Highly-visible publicity: a huge Swatch watch hangs down the side of a Frankfurt bank

Swiss watchmakers - key figures

| | 1982 | 1983 |
|-------------------------------------|--------|--------|
| Businesses in the industry | 727 | 621 |
| Labour force | 38,151 | 31,549 |
| Watch exports: | | |
| Pieces (m) | 18.5 | 23.2 |
| Swiss Francs (m) | 2,755 | 3,444 |
| Exports of movements: | | |
| Pieces (m) | 12.7 | 12.4 |
| Swiss Francs (m) | 256 | 220 |
| Exports of non-assembled movements: | | |
| Pieces (m) | 14.5 | 18.8 |
| Swiss Francs (m) | 81 | 139 |
| Total exports (SwFr m) | 3,502 | 4,311 |
| Chief export markets (SwFr m):* | | |
| 1. US | 450 | 790 |
| 2. Hong Kong | 415 | 501 |
| 3. West Germany | 247 | 360 |
| 4. Italy | 321 | 342 |
| 5. France | 258 | 278 |
| 6. Saudi Arabia | 275 | 283 |
| 7. Japan | 133 | 187 |
| 8. The UK | 143 | 195 |

* As ranked in 1985.
Source: Swiss watchmakers' federation.

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Labouring under a luxury image

Tourism

W. L. LUETKENS

DID YOU know that Cosar Ritz hotel-keeper to kings and kings' hotelkeepers Edward VII is said to have called him, was Swiss-born — in 1850?

The youngest of 13 children of a peasant family in the Goms valley, he went on to start a string of luxury hotels on both sides of the Atlantic. His name, and the adjective "ritzy" have become bywords for luxury and high price.

It is a reputation with which the Swiss hotel and tourist industry has long flourished and under which it has laboured. The Swiss National Tourist office recently asked its offices abroad to find out what foreign tourists thought of Switzerland.

As often as not, the replies included a moan about high prices — though at times it was accompanied by a recognition that much value was offered for much money.

For the Swiss tourist industry and especially the hotel-keepers, the moan is a warning way towards managing the future. The industry is mature in the sense that it has probably reached the limits of its capacity.

Service

The chief selling point is a breath-taking landscape, but not the novelty associated with more distant destinations. You can add to that high standards of service (though some offices reported the occasional grumble), cleanliness and a reputation for law and order of growing importance in a world plagued by terrorism.

Another grumble was caused by the toll of SFr 30 (£11) which every tourist has to pay if he wishes to use the Swiss motorways. For foreigners it is levied at the frontier. If you're not in a hurry you can avoid motorways and tolls, but be careful to enter Switzerland on a road other than a motorway; otherwise you would be caught at once.

In addition to the limits to further expansion of the Swiss tourist trade, short-term prospects this year do look a bit dim after a good 1985.

The Americans who provide 12 per cent of the visitors but spend 25 per cent of the money left in Switzerland by tourists, will be labouring under the sharp decline of the dollar. The number of overnight stays by Americans may fall off by 10-15 per cent this year, according to Mr Helmut Klee, deputy director-general of the National Tourist Office. That would still be well above the levels of the 1970s, since American overnight stays doubled between 1980 and 1985.

Mr Klee hopes for a slight increase in visits from West Germany, which could fill the gap given that the Germans were easily the largest national contingent among the foreign tourists who spent 78.4m overnight stays in Switzerland last year.

He also hopes for a continuation of the slow increase of British visits seen in the past five years.

Asked to explain the trend, Mr Klee says he has no obvious explanation but wonders whether the long established interest of the British in Swiss amenities has something to do with it.

The British were among the first to discover the beauties of

the Swiss mountains in the 18th century and were in at the birth of the winter season — now an important money spinner.

In 1864 Johannes Badrut, of St Moritz, led a group of English people that they would enjoy the snows of the Engadine valley more than a London winter.

It was a bold assertion, however obvious it may sound nowadays. If he was wrong, said Badrut, he would refund the English visitors' travelling expenses. They never claimed the money.

From those beginnings there grew winter seasons which now attract almost half the annual visitors to Switzerland. Moreover, winter guests usually spend more money than those in summer. Yet winter, as a second tourist season, has diminished but not banished the industry's gravest problem, the seasonal under-use of capacity in hotels and other tourist facilities.

On average, hotel beds in the tourist areas are occupied on only one day in three of the whole year. That is often not enough for depreciation and new investment after meeting interest charges and an adequate profit. The Government has recognised that and offers loans for the modernisation of existing hotels at the almost nominal interest of 1 per cent.

Money is not available for new hotels because the Swiss have recognised that they have done enough building if they are not to wreck the amenities and the environment that are their principal asset.

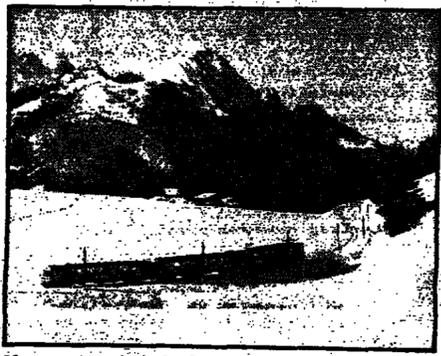
Mr Klee says that Switzerland will not be able to share fully in the doubling of world tourism expected by the end of the century: "We do not want to destroy our country for a short-term return on investment."

The implication is that the Swiss will have to concentrate on ever-better quality if they are to stay in the race. The national importance of success is illustrated quickly by a key figure. Swiss income from foreign tourists last year came to a net SFr 3.1bn (after deducting Swiss expenditure abroad).

Judging by some of the complaints relayed to the national Tourist Office from abroad, tourists are especially irritated by the rash of chalets for rent around many resorts.

Much damage has been done, but the chalet boom may be over. With many holiday homes occupied for only six or eight weeks a year, chalet prices have passed their peak. Restrictions on sale to foreigners have also helped to arrest the expansion of these often ugly accretions to picturesque villages.

In this area, more than any other, the limit of what is practicable has probably been reached.



Narrow-gauge train in the Montreux-Bernese Oberland

Where the tourists came from - 1985

| Main countries of origin | Overnight stays (m) | Change from 1984 (%) |
|--------------------------|---------------------|----------------------|
| Switzerland | 39.5 | + 0.1 |
| West Germany | 14.5 | + 0.8 |
| The US | 3.6 | + 7.1 |
| Netherlands | 2.8 | - 4.8 |
| The UK | 2.7 | + 0.5 |
| France | 2.5 | + 0.9 |
| All countries | 74.8 | + 0.8 |

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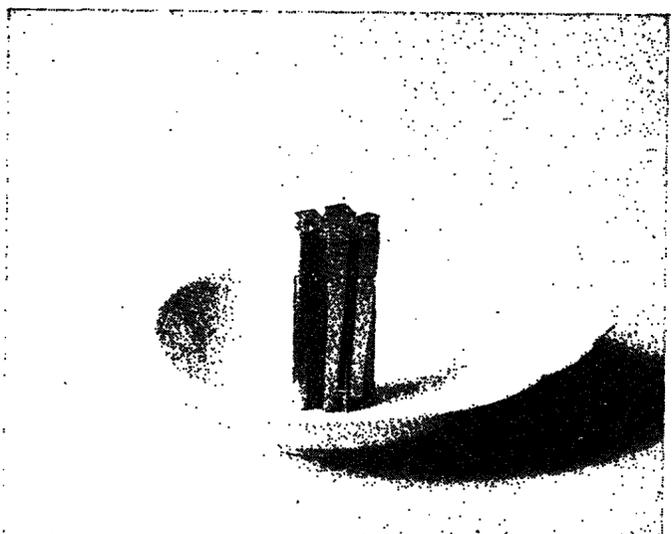
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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Wednesday April 30 1986

HENRY BUTCHER VALUATIONS & SALES PROPERTY & PLANT LONDON • BIRMINGHAM • BRISTOL • LEEDS Tel: 01-405 8411

Sperry buoyed by computer division

By Paul Taylor in New York

SPELLER, the US computer, defence electronics and aerospace group, reported a 7 per cent gain in fiscal fourth quarter income from continuing operations buoyed by strong revenue gains from commercial computers.

In its final fiscal quarter ending March 31, Sperry reported earnings of \$115.2m or \$2.03 a share compared with \$107.6m or \$1.81 a share in the year-ago period.

Sperry noted that commercial computer operations achieved revenue and profit gains of 13 per cent and 15 per cent for the quarter and 21 per cent and 22 per cent for the year.

Defense and aerospace operations achieved revenue and profit gains of 14 per cent and 7 per cent for the quarter while for the year revenue rose by 9 per cent and operating profits declined by four per cent.

Commenting on the results, Mr Gerald Probst, Sperry's chairman and chief executive, said: "We believe the results of our continuing operations were satisfactory in the light of the slowdown in the US computer industry and some problems in our defence and aerospace business."

Revenue and operating profit gains of more than 20 per cent in our commercial computer operations were offset in part by lower profits of our defence and aerospace operations which experienced a strike and production problems which have been largely overcome."

HANOMAG Baumaschinen Produktion und Vertrieb, the reborn West German construction equipment concern plans to become a public company at the beginning of 1987 to increase its ability to tap the country's capital markets for fresh funds.

This latest stage in the rebuilding of Hanomag, after the bankruptcy of the former Hanomag, was revealed yesterday by Mr Wolfgang Freimuth, its managing director, amid further evidence of the company's growth since its inception in April 1984.

According to Mr Freimuth, Hanomag expects to sell about 1,500 machines in 1986, generating a turnover of about DM 320m (\$148m) compared with DM 255m last year. He gave no details of 1985 profit, although the new company earned a net DM 15m in its first business year, between April and December of 1984.

Orders in hand stand at DM 75m, representing 430 machines, and the company intends to boost its workforce by 100 from the present 1,200 to cope with demand. Mr Freimuth said Hanomag's share of the West German domestic market for wheel and tracked loaders was 22.6 per cent.

Eastern Air Lines blames fare cuts for loss in quarter

BY OUR FINANCIAL STAFF

CUT-PRICE fares and strike threats sent Eastern Air Lines, the large US carrier which is the subject of a proposed merger with Texas Air, plunging deep into loss in the first quarter of 1986.

For the three months net deficit emerged at \$110.63m, or \$1.82 a share, compared with a profit of \$24.2m, or 35 cents, a year earlier. Revenue slipped to \$1.13bn from \$1.22bn, despite clocking up 6.5bn passenger miles this time, against 7.9bn miles in the first quarter of 1985.

The loss comes after the airline's first year of profit since 1979. For the whole of last year net profit reached \$3.3m, compared with a \$184m loss in 1984 and a record \$184m loss in 1985.

Mr Frank Borman, chairman and chief executive of the Miami-based airline, described the latest results as "disappointing". He attributed the setback to industry-wide fare discounting and consumer uncertainty over strike threats at the company.

Most of the losses occurred in the first two months of the quarter with March showing near break-even. Significant cuts in labour costs would improve the remainder of 1986, Mr Borman added.

At the operating level there was a loss for the quarter of \$57.1m, against \$78.5m profit a year ago. The yield, measured by revenue per traffic mile, dipped to 12 per cent from 13.9 per cent.

Eastern is the second largest US carrier in terms of passengers carried during the course of the year from asset sales.

Net losses in the first quarter, including a \$15m charge for anticipated losses relating to oilfield equipment, amounted to \$91.8m against a deficit of \$82.1m in the same period of last year, while sales slid to \$1.17bn from \$1.21bn.

Bethlehem put the main blame for the deepening losses in the quarter on depressed prices in the basic steel business amounting to \$38.4m, and in the steel-related segment to \$13.1m, while in the diversified segments operation, the group made an operating profit of \$1.8m.

The company said Kusan would be sold to a team of managers at the plant, and will give the company a recognisable gain of over book value of at least \$50m. Mr Williams said the sale was based on the company's belief that in the near term it must devote its resources to the steel business "in order to return to profitability."

NEDBANK, the troubled South African banking group, has confirmed analysts' fears with publication of sharply lower interim profits. Income and business activity both registered sharp declines in six months to March 31 1986 as management came to grips with a sharp drop in foreign activity and the effect of large losses in the group's gilt and loan portfolio.

The first half after-tax profit fell by almost one-third to R32.2m (\$10.2m) from R48.2m in the corresponding year-ago period. The decline in business activity was underlined by the 15 per cent drop in advances and loans to R3.09bn on March 31 from R1.0.64bn six months earlier.

In the last financial year, which ended September 30 1985, the bank disclosed an after-tax profit of R91.3m.

Two months ago Nedbank parted company with Mr Rob Abrahamson, its managing director, and simultaneously announced a R345m rights issue to restore the capital base which had been badly eroded by losses. Some of the bank's principal shareholders reportedly refused to participate in the capital raising exercise unless the bank improved its level of disclosure. As a result the bank has for the first time disclosed operating profit, provisions for bad debts and tax liability.

At the halfway stage the group earned a consolidated operating income of R38.5m from which it has provided R43.3m to cover bad and doubtful debts. As a result the pre-tax profit was R45.2m. The directors hope the pre-tax operating income will total R185m for the current financial year.

A large part of the bank's problem arose from its policy of borrowing short-term money abroad and extending medium-term loans to South African borrowers, said directors.

SKF hit by losses in US subsidiary

By Kevin Done in Stockholm

SKF of Sweden, the world's leading bearings manufacturer, suffered a drop of 7.4 per cent in profits in the first quarter of the year despite a modest 4 per cent increase in turnover.

Profits (after financial items) fell to SKR 359m (\$51.4m) from SKR 388m in the same period of 1985. Group sales rose to SKR 5.14bn from SKR 4.95bn a year earlier.

The earnings of SKF's bearings division, which accounts for more than two thirds of group profits, dropped 12.7 per cent to SKR 247m from SKR 283m in the first three months of 1985.

SKF said the fall was due to losses by the group's US subsidiary. It claimed, however, that the rationalisation programme being implemented in the US was beginning to result in increased productivity. It is still negotiating the takeover of TRW's MRC rolling bearing division in the US.

The group said demand for rolling bearings in Europe continued to improve, but market conditions in the US were unchanged from the last quarter of 1985.

SKF failed to detect any improvement in its US car components business and decided to close piston-rod production at its plant in St. Louis.

In its other main business areas, SKF showed a small profit of SKR 9m from its steel operations on a turnover of SKR 655m compared with a profit of SKR 8m on a turnover of SKR 655m in the first quarter of 1985. Earlier this month the group announced plans to merge its steel operations with Ovako of Finland into a new company, Ovako Steel, in which SKF will hold a 50 per cent stake.

Profits of the cutting tools division were virtually unchanged at SKR 55m, while the components division improved its result by 23 per cent to SKR 48m.

Sandoz plans further acquisitions

By John Wick in Zurich

SANDOZ, the Swiss chemicals concern, intends to continue or accelerate its big acquisition programme, according to Dr Marc Moret, the managing director.

On the basis of last year's takeover activity, this could mean expenditure of some SFR 800m-SFR 900m (\$444m-\$500m) or more this year. Dr Moret said acquisitions could benefit all divisions. Growth was intended to remain within the framework of existing product groups.

Sandoz proposed a rights issue of more than SFR 217m to enable the acquisitions. Shareholders will be asked to approve a one-for-10 issue of 93,029 registered shares, 5,029 bearer shares and 113,199 participation certificates at a price of SFR 1,800 per share and SFR 360 per certificate.

The board will also ask for permission to issue 100,000 bearer shares and create up to 500,000 participation certificates. This new equity, which would be without drawing rights, would serve to back new convertible or warrant bonds or for other purposes.

An additional 20,000 registered shares, also without shareholders' drawing rights, is intended to be issued to Sandoz employees.

The board announced it would recommend payment of centenary bonuses of SFR 20 per share and SFR 4 per participation certificate. This is over and above the increased regular dividends of SFR 100 (1984: SFR 90) and SFR 20 (1984: SFR 18), respectively.

Last year parent company earnings rose 26.4 per cent to SFR 155.3m and consolidated profits by 28.7 per cent to SFR 529m. Due largely to the stronger Swiss franc, first quarter group sales were down 4 per cent on corresponding 1985 levels to SFR 2.18bn. In terms of local currencies, turnover rose by 14 per cent.

SOMMER-ALLIBERT PLANS INTERNATIONAL ACQUISITIONS

Plastics company stretches out

BY PAUL BETTS IN PARIS

SOMMER-ALLIBERT is one of the leading plastic transformation groups in Europe employing 8,000 people with an annual turnover of more than FFr 5bn (\$725m).

It now manufactures a range of plastic products from garden and bathroom furniture to plastic floor and wall materials, dashboards and other products for the car industry as well as packaging products.

The company has 43 subsidiaries and a presence in 16 different countries. More than 40 per cent of group sales are outside France and Mr Bernard Deconinck, the chairman, is about to finalise important agreements in the US and in China.

In North America the group planned to acquire a stake in Danco, Canada's leading manufacturer of plastic floors and coverings, and to open an American manufacturing plant to increase its presence on the American market. In China it is negotiating to build an industrial plant to manufacture plastic wall and floor coverings.

But Mr Deconinck's drive in both the North American and Far East markets follows several years of restructuring the group's French plastic floor and wall covering business. The reshaping followed the merger of Mr Deconinck's Allibert concern with Sommer in 1972.

Until then, Allibert had grown around three core plastic businesses including bathroom products, industrial products for the car industry and container and other packaging products. Sommer was about the same size as Allibert, which also specialised in plastic flooring and textile materials but had fallen behind in investments and needed new products.

Mr Deconinck acknowledged that the merger presented him with a challenge. But it took 10 years to make Sommer recover as one of the leading manufacturers of plastic floors, he said.

This renewal effort is reflected in the FFr 1bn Sommer-Allibert has invested during the last five years to automate and streamline its manufacturing systems, acquire and develop new machine tools and modernise administrative systems.

The group is now reaping the fruits of the restructuring efforts, reporting net earnings of FFr 100m after a loss of about FFr 80m the year before. The loss in 1984 reflected exceptional charges to cover the liquidation of a property business in West Germany. The liquidation of the German property business was the final chapter in the clean out that has taken place at Sommer.

Without the special provisions, the group earned FFr 60m from its operations in 1984. For 1985 sales rose 8 per cent.

The group planned to spend FFr 350m on industrial investments this year, and FFr 250m on financial investments and foreign development during the next two years. These would include the new ventures in the US and Far East. The group also planned to strengthen its industrial presence in Europe.

In the euphoric climate of the Paris Bourse, Sommer-Allibert has at times been mentioned as a possible takeover candidate. But any hostile takeover would be an uphill task because the group's share capital is pretty firmly tied up. Mr Deconinck's family holding owns just less than 30 per cent of the company but he also has 45 per cent of voting rights.



Bernard Deconinck: great future in plastics.

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Berliner Bank boosts profits 14% to DM 30m

BY LESLIE COLTIN IN BERLIN

BERLINER BANK, which took its first step toward privatisation in 1984, boosted operating profits by 14.9 per cent last year to DM 30m (\$13.8m). An unchanged dividend of 12 per cent is being proposed.

The bank, which has 26 per cent of its shares in public hands with the rest held by the City of West Berlin, might seek to expand further its equity base this year. Dr Dietrich Nebeburg, spokesman for the board, said if business continued to develop favourably this year a larger dividend was likely.

The parent bank's balance-sheet total rose 5.4 per cent to DM 13.2bn and that of the group by 7.3 per cent to DM 28.5bn.

UAP expects earnings to rise again in 1985

BY PAUL BETTS IN PARIS

UNION des Assurances de Paris (UAP), France's largest state-controlled insurance group, is due to report a sharp rise in consolidated net earnings to about FFr 2bn (\$290m) for 1985 compared with earnings of FFr 1.34bn the year before.

The latest earnings rise follows profit increases of 40 per cent in 1984 and the previous year. UAP's turnover rose 15 per cent to FFr 32bn last year from the previous year, which is above the French insurance industry average of about 12 per cent.

UAP and the two other large state insurance groups, AGF and GAN, are among the leading candidates for early privatisation by the new right-wing Government. At present, the state owns 89 per cent of UAP's capital and could initially shed up to 25 per cent of its shares in UAP on the stock market without passing new legislation.

UAP, which also owns Banque Worms, the French investment bank, saw its financial performance boosted last year by a strong increase in life insurance business.

The bull market on the Paris bourse has also substantially increased the value of UAP's extensive share portfolio.

Gains from the group's different operations more than offset the FFr 400m of claims caused by break cold weather last year.

Bethlehem Steel chief to retire amid shake-up

BY TERRY DODSWORTH IN NEW YORK

BETHLEHEM STEEL, the beleaguered US steel company which ran up further heavy losses in the first quarter of this year, said that Mr Donald Trautlein, its chairman for the last six years, would retire at the end of May.

Mr Trautlein's decision to step down from one of the most difficult jobs in the US industry comes shortly after he relinquished the post of chief executive to Mr Walter Williams, the former president of the group. No successor has been appointed yet.

He will leave the group in the middle of a reorganisation aimed at trying to raise cash through the sale of assets that are not central to Bethlehem's steelmaking business.

The sale of one of these operations, the Kusan plastics and building products unit, was announced for a total of \$183m. Earlier this year, Bethlehem disposed of Tull Industries, its metals distribution and processing subsidiary, for \$100m, and the company said it expected to receive at least \$300m

during the course of the year from asset sales. Net losses in the first quarter, including a \$15m charge for anticipated losses relating to oilfield equipment, amounted to \$91.8m against a deficit of \$82.1m in the same period of last year, while sales slid to \$1.17bn from \$1.21bn.

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A large part of the bank's problem arose from its policy of borrowing short-term money abroad and extending medium-term loans to South African borrowers, said directors.

This announcement appears as a matter of record only. April, 1986

PILKINGTON Pilkington Holdings Inc. (Incorporated under the laws of the State of Delaware, USA) US\$150,000,000 Note Issue Facility (of which US\$100,000,000 is committed) Guaranteed by Pilkington Brothers plc (Incorporated under the laws of England) Arranged by: J. Henry Schroder Wagg & Co. Limited Underwritten by: Bank of Montreal, Lloyds Bank Plc, Nomura Europe N.V., J. Henry Schroder Wagg & Co. Limited, Kansallis Banking Group, National Westminster Bank PLC, Paribas Finance Limited, Sumitomo Finance International Tender Panel Members: Bank of Montreal, Credit Suisse First Boston Limited, Lloyds Merchant Bank, Paribas Finance Limited, County Bank Limited, Kansallis Banking Group, Nomura Europe N.V., J. Henry Schroder Wagg & Co. Limited, Sumitomo Finance International

CITICORP BANKING CORPORATION (Incorporated in the State of Delaware) Unconditionally guaranteed on a subordinated basis by CITICORP Notice is hereby given that the rate of interest has been fixed at 7 1/8% and that the interest payable on the relevant Interest Payment Date July 31, 1986 against Coupon No. 6 in respect of US\$10,000 nominal of the Notes will be US\$182.08. April 30, 1986, London By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANK

CITICORP BANKING CORPORATION (Incorporated in the State of Delaware) Unconditionally guaranteed on a subordinated basis by CITICORP Notice is hereby given that the rate of interest has been fixed at 7 1/8% and that the interest payable on the relevant Interest Payment Date July 31, 1986 against Coupon No. 7 in respect of US\$10,000 nominal of the Notes will be US\$182.08. April 30, 1986, London By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANK



INTERNATIONAL COMPANIES and FINANCE

Continental Airlines hit by fare discounts

BY TERRY DODSWORTH IN NEW YORK

CONTINENTAL Airlines, the US airline run by the controversial Mr Frank Lorenzo, made a loss in the first quarter of this year because of industry-wide fare discounting. The net deficit of the Houston-based subsidiary of the Texas Air Group, amounted to \$13.6m, or 60 cents a share, against net income of \$15.1m, or 56 cents a share, in the same period last year. Revenues increased by almost 22 per cent to \$424m from \$363m.

Continental said the results were not unexpected, "due to the competitive environment in the industry during the traditionally slow first-quarter travel season." It warned that fare discounting was continuing into the second quarter.

The difficulties faced by Continental in the fierce price-cutting battle now being waged in the US aerospace industry were reflected in the results of Texas Air, which also swung into loss in the first quarter.

Texas Air's net deficit amounted to \$6.5m, or 42 cents a share, against net income of \$12.8m, or 72 cents a share, in the same period of last year, when the company had the benefit of a \$7m extraordinary credit for tax loss carryforwards.

Revenues for the group, which also embraces New York Air and COS Automation Systems, rose to \$511m

Unocal suffers from bid defence costs

BY OUR NEW YORK STAFF

UNOCAL, the Los Angeles-based US oil group, blamed higher interest costs and lower crude oil prices for a sharp decline in first-quarter returns.

Net earnings fell 61 per cent to \$70.2m, or 60 cents a share, from \$180.7m, or \$1.04 a share, in the same period last year on revenues down 18 per cent to \$2.26bn from \$2.78bn.

The per share earnings are based upon 116.3m outstanding shares, down from 173.8m a year earlier. This reflected Unocal's repurchase of a third of its common stock as part of its successful defence in fending off a takeover bid last year by Mr T. Boone Pickens.

Mr Fred Hardley, Unocal's chairman and chief executive, said higher interest costs arising from the takeover defence and lower worldwide crude oil prices together accounted for \$103m of the \$110m decline.

In addition, Unocal said returns were adversely affected by lower national gas production and lower nitrogen product sales. These negative factors were partly offset by higher margins on petroleum products.

Unocal's "predatory pricing" was a serious threat to the domestic petroleum industry and the company was taking the necessary steps, including capital expenditure cuts, expense reductions and necessary actions to increase productivity, to adjust to this adverse environment.

Saudi Arabia's "predatory pricing" was a serious threat to the domestic petroleum industry and the company was taking the necessary steps, including capital expenditure cuts, expense reductions and necessary actions to increase productivity, to adjust to this adverse environment.

Tenneco boosted by accounting policy change

TENNECO, the Houston-based conglomerate, announced that it was altering its accounting policies for its oil and gas operations to reflect deteriorating energy prices, writes Terry Dodsworth in New York.

After the policy change, which included a restatement of prior year's earnings, last year's first-quarter profits of \$63m were altered to a net loss of \$54m, or 46 cents a share. That compared with net income this year of \$124m, or 73 cents a share.

Sales rose in the quarter to \$3.9bn from \$3.7bn. Tenneco said it would in future account for its oil and gas business on a "successful efforts" basis rather than the "full-cost" method, in accordance with the financial accounting standards board view that "successful efforts" was the more appropriate way of measuring oil and gas exploratory efforts.

The change increased net income in the first quarter of 1986 by \$20m, or 13 cents a share.

Boeing profits up 35%

BY OUR NEW YORK STAFF

BOEING, the world's largest aircraft manufacturer, registered a 35 per cent increase in net profits in the first quarter of this year. The increase was helped by rapid growth in the sales volume of both its commercial and military products.

Earnings by the Seattle group jumped to \$148m, or 95 cents a share, from \$110m, or 75 cents a share a year earlier, while sales leapt to \$3.5bn from \$2.9bn.

The earnings advance was even more pronounced at pre-tax level, rising by 41 per cent to \$233m from \$165m. Boeing said the increase had been offset to some extent by an increase in research and development costs. The company has also been spending more heavily on commercial transport aircraft, future military and space programmes, and computing and electronics technology.

Deliveries in the quarter rose to 50 aircraft from 48 last year, and the company is expecting to ship a total of 190 units by the end of 1986.

Boeing's order book has strengthened, with \$5bn of new orders taken during the first quarter for a total of 75 aircraft. In the comparable period of last year, 23 aircraft were ordered with a value of \$1bn.

The new contracts brought the firm's backlog of unfilled orders up to \$25.4bn from \$24.7bn.

Boeing's figures were also helped in the quarter by a rise in interest income, attributable to its improved cash position.

IRELAND
US\$300,000,000
Floating Rate Notes due 2000

Notice is hereby given that the interest payable on the relevant Interest Payment Date, May 30, 1986 for the period November 29, 1985 to May 30, 1986 against Coupon No. 1 in respect of US\$10,000 nominal of the Notes will be US\$398.45 and in respect of US\$250,000 nominal of the Notes will be US\$9,961.37.

April 30, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

U.S. \$500,000,000
CITICORP

Subordinated Floating Rate Notes Due January 30, 1988

Notice is hereby given that the rate of interest has been fixed at 7.075% and that the interest payable on the relevant Interest Payment Date May 30, 1986 against Coupon No. 4 in respect of US\$10,000 nominal of the Notes will be US\$59.76.

April 30, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Wells Fargo & Company
U.S. \$150,000,000
Floating Rate Subordinated Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 30th April, 1986 to 30th May, 1986 the Notes will carry an Interest Rate of 7.1% per annum. Interest payable on the relevant interest payment date 30th May, 1986 will amount to US\$59.17 per US\$10,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

Wells Fargo International Financing Corporation N.V.
U.S. \$50,000,000
Guaranteed Floating Rate Subordinated Notes due 1986

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Sub-period 30th April, 1986 to 30th May, 1986 the Notes will carry an Interest Rate of 7.1% per annum. The Interest accrued for the above period and payable on 31st July, 1986 will be US\$8.85.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

All these securities having been sold this announcement appears as a matter of record only.

Land Securities PLC

(Incorporated with limited liability in England under the Companies Act, 1948)

£100,000,000

9 1/2 per cent. Bonds Due 2007

Issue Price 98 1/8 per cent.

J. Henry Schroder Wagg & Co. Limited

Morgan Guaranty Ltd

Baring Brothers & Co., Limited

Da'wa Europe Limited

Dresdner Bank Aktiengesellschaft

Samuel Montagu & Co. Limited

N.M. Rothschild & Sons Limited

Swiss Bank Corporation International Limited

S. G. Warburg & Co. Ltd.

Credit Suisse First Boston Limited

Deutsche Bank Capital Markets Limited

Lloyds Merchant Bank Limited

Nomura International Limited

Salomon Brothers International Limited

April, 1986

ARBED
Société Anonyme
(Incorporated with limited liability in the Grand Duchy of Luxembourg)

U.S. \$15,000,000
Floating Rate Serial Notes 1988
Convertible into 16 3/4% Serial Bonds 1988

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 30th April, 1986 to 31st October, 1986 the Notes will carry an interest rate of 7 1/2% per annum. On 31st October, 1986 interest of U.S. \$99.03 will be due per U.S. \$2,500 Note for Coupon No 10. The Conversion Interest amount applicable to Notes which are presented for conversion on or before 1st October, 1986 will be U.S. \$ nil per U.S. \$2,500 Note.

EBC Amro Bank Limited
(Agent Bank)

30th April, 1986

U.S. \$100,000,000

Scotiabank
The Bank of Nova Scotia

Floating Rate Debentures Due 1993

Interest Rate **7 1/16%** per annum

Interest Period 30th April 1986 to 31st October 1986

Interest Amount per U.S. \$5,000 Debenture due 31st October 1986 **U.S. \$180.49**

Credit Suisse First Boston Limited
Agent Bank

April, 30th 1986

This advertisement appears as a matter of record only. The shares have not been registered under the United States Securities Act of 1933 and may not be sold in the United States, its territories or possessions or to U.S. persons at the distribution.

International Placement

7,000,000 Ordinary Bearer Shares

(at a par value of DM 50 each)

of **FELDMÜHLE NOBEL** Aktiengesellschaft

Düsseldorf, Federal Republic of Germany

| | | |
|--|---|--|
| Algemene Bank Nederland N.V. | Baden-Württembergische Bank Aktiengesellschaft | Banca Commerciale Italiana |
| Bankers Trust GmbH | Bank für Handel und Industrie Aktiengesellschaft | Banque Nationale de Paris |
| Banque Paribas | Barclays Merchant Bank Limited | Baring Brothers & Co., Limited |
| H. Albert de Bary & Co. N.V. | Bayerische Hypothek- und Wechsel-Bank Aktiengesellschaft | Bayerische Landesbank Girozentrale |
| Bayerische Vereinsbank Aktiengesellschaft | Berliner Bank Aktiengesellschaft | Berliner Commercial Bank Aktiengesellschaft |
| Berliner Handels- und Frankfurter Bank Aktiengesellschaft | Citibank Aktiengesellschaft | Commerzbank Aktiengesellschaft |
| Creditanstalt-Bankverein | CSFB-Effektenbank AG | Dalbrück & Co. |
| Deutsche Bank Berlin Aktiengesellschaft | DG-Bank Deutsche Genossenschaftsbank | Dresdner Bank Aktiengesellschaft |
| EBC Amro Bank Limited | Enakida Securities | Generale Bank |
| Goldman Sachs International Corp. | Estadística Española Limited | Hessische Landesbank - Girozentrale |
| Kleinwort, Benson Limited | Georg Haack & Sohn Bankiers-Kommanditgesellschaft auf Aktien | Landesbank Schleswig-Holstein Girozentrale |
| Merck, Finck & Co. | Bankhaus Hermann Lampe Kommanditgesellschaft | B. Metzler & Sohn & Co. |
| Morgan Grenfell & Co. Limited | Merrill Lynch International & Co. | The Nikko Securities Co. (Europe) Ltd. |
| Nomura International Limited | Morgan Stanley International | Sal. Oppenheim jr. & Cie. |
| Salomon Brothers International Limited | Norddeutsche Landesbank Girozentrale | Schwäbischer Bankverein (Deutschland) AG |
| Société Générale | J. Henry Schroder Wagg & Co. Limited | Thiess & Burdhardt KGaA |
| Union Bank of Switzerland (Securities) Limited | Swiss Volksbank | S.G. Warburg & Co. Ltd. |
| | Vereins- und Westbank Aktiengesellschaft | |
| | Westdeutsche Landesbank Girozentrale | |
| DB Capital Markets (Asia) Limited | Deutsche Bank Australia Limited | Deutsche Bank Capital Corporation |
| Deutsche Bank Capital Markets Limited | | Deutsche Bank (Suisse) S.A. |

All of these securities have been sold. This announcement appears as a matter of record only.

April, 1986

ASHTON-TATE

1,300,000 Shares
Common Stock

L. F. ROTHSCHILD, UNTERBERG, TOWBIN, INC. **SMITH BARNEY, HARRIS UPHAM & CO.**

| | | |
|---|--|---|
| BEAR, STEARNS & CO. INC. | THE FIRST BOSTON CORPORATION | DONALDSON, LUFKIN & JENRETTE |
| GOLDMAN, SACHS & CO. | HAMBRECHT & QUIST | KIDDER, PEABODY & CO. |
| MERRILL LYNCH CAPITAL MARKETS | MONTGOMERY SECURITIES | LAZARD FRERES & CO. |
| PAINWEBER | PRUDENTIAL-BACHE | MORGAN STANLEY & CO. |
| SHEARSON LEHMAN BROTHERS INC. | ROBERTSON, COULMAN & STEPHENS | SALOMON BROTHERS INC. |
| WILLIAM BLAIR & COMPANY | WERTHEIM & CO., INC. | DEAN WITTER REYNOLDS INC. |
| ADAMS, HARGNESS & HILL, INC. | NEUBERGER & BERMAN | LADENBURG, THALMANN & CO. INC. |
| CABLE, HOWSE & RAGEN | BRANCH, CABELL AND COMPANY | BATEMAN EICHLER, HILL RICHARDS |
| ANDERSON & STRUDWICK | W. H. NEWBOLD'S SON & CO., INC. | ROYAN MOSLE INC. |
| HAMERSHLAG, KEMPNER & CO. | | HAAS SECURITIES CORPORATION |
| | | ROSENKRANTZ, LYON & ROSS |

Handwritten signature or stamp at the bottom of the page.

INTERNATIONAL COMPANIES and FINANCE

Modest net advance at OK Bazaars

By Jim Jones in Johannesburg
OK BAZAARS, one of South Africa's largest retail chains, has suffered one of its most difficult trading years but managed a slight increase in attributable profits.

Turnover rose by 4 per cent to R2,045m (\$97.6m) in the year to March from R1,909m, but pre-tax profits emerged 4.6 per cent lower at R24.1m against R25.5m. A lower tax bill resulting in a small increase in the attributable, after-tax profit to R12.3m from R12.2m.

The directors say that prolonged recession combined with high inflation and rising unemployment severely affected spending ability of the middle and lower income consumers, who constitute the majority of OK's customers. This, the board says, made the past year the most difficult in the company's history.

A relaxation of hire purchase controls helped to increase sales in the second half of the financial year, but many consumers remain wary of taking on extra debt commitments. Sales of high-margin durables remain weak as consumers place greater proportional emphasis on buying non-durables.

The company expects consumer spending to remain under severe pressure during the current year, but believes that South Africa is starting to move out of its recession and that this year's earnings should be higher than those of last year.

Earnings totalled 100.8 cents a share against 100 cents and an unchanged total dividend of 60 cents has been declared.

OK Bazaars is controlled by South African Breweries, which in turn is indirectly controlled by Anglo-American Corporation, South Africa's largest mining and industrial group.

Romatex, a leading South African textiles and floor coverings manufacturer, suffered a sharp reduction in sales volumes in the six months to March. Nevertheless, the company succeeded in increasing both the interim revenue and profits and has raised the interim dividend.

Turnover rose by 3.5 per cent to R215m from R208m, and pre-tax profits were R5.9m against R4.5m. The director says that demand for consumer durables continues to decline.

First-half earnings per share increased to 14.7 cents from 10.8 cents, and the interim dividend has been raised to 6 cents from 5 cents. Romatex is controlled by Barlow Rand, the industrial and mining group.

Second successive fall at largest Abu Dhabi bank

By KATHLEEN EVANS

NATIONAL BANK of Abu Dhabi, the largest bank in the United Arab Emirates, has recorded a 68 per cent drop in profits during 1985 because of the need to make increased provision on its local loan portfolio.

Net profits fell from Dh 37.3m (\$10.1m) to Dh 12.67m last year. This is the second year running that the bank has experienced a substantial drop in net profits—figures for 1984 showed a similar fall of 67 per cent.

The year-end balance sheet also showed a decline to Dh 20.7m from Dh 21.5m. Bank officials blamed deteriorating credit conditions in the country as the main reason for the increased provisions taken in 1985, which amounted to Dh 206m, compared with

Dh 152m. National Bank retrenched considerably last year. Some 20 per cent of its staff were made redundant during the period and its offices in Tokyo, Singapore and Port Sudan were closed. A new operation was established in Sydney, however.

The results were roughly in line with expectations by the banking community in the Emirates, where many of the major institutions are still negotiating with the central bank on the extent of their own loan loss provisions.

There are some suggestions that two major banks in the country, Abu Dhabi Commercial Bank and the Dubai-based Union Bank of the Middle East, will need further injections of

funds from their local government shareholders.

Abu Dhabi Commercial was formed following a forced merger of three local banks in difficulties, while Union Bank has also been called on to absorb two other smaller banks.

Substantial interest exists, therefore, about how the two institutions have been able to absorb the bad debt legacy they inherited. Officials in Abu Dhabi say that Abu Dhabi Commercial has already received some Dh 500m from the central bank in the form of three-month cheap government deposits. However, the bank itself refused to comment on the reports. Union Bank officials said they hoped to issue their figures later this year.

Brierley in NZ\$60m offer for motor group

By Our Financial Staff

MR RON BRIERLEY, the Australian entrepreneur, has acted to extend his vehicle distribution interests with a bid for Colonial Motor Company which values the Wellington-based network at NZ\$60.06m (US\$35.14m).

The domestic initiative launched yesterday by Brierley Investments, his New Zealand master company, follows Mr Brierley's entry into the UK car dealership market this year through Industrial Equity Pacific, his Hong Kong offshoot.

Brierley already holds some 9.2 per cent of Colonial, and is bidding NZ\$5.50 a share for the remainder, against a market level of NZ\$2.90.

Japanese stores show recovery

By YOKO SHIBATA IN TOKYO

AGAINST the background of steady growth in sales, Japan's five major department stores have reported an earnings recovery for the year to February.

Strengthened product lines and tighter inventory controls brought about by the introduction of on-line point-of-sale systems improved operating profits.

The recovery was particularly marked at Mitsukoshi and Daimaru. Mitsukoshi achieved its first operating profit in four years—¥2.5bn (\$14.2m) against a loss of ¥3.57bn a year before—thanks to the implementation of better inventory controls and other cost-cutting efforts.

The positive factor in Daimaru's earnings recovery was

| Parent company results (Ybn), year to February 1986 | Sales | Pre-tax profits | Net profits |
|---|-------------|-----------------|---------------|
| Mitsukoshi | 568.4 (+6%) | 7.25 (+340%) | 1.74 (+57%) |
| Takashimaya | 501.5 (+3%) | 11.58 (+15%) | 2.58 (+5%) |
| Daimaru | 496.0 (+1%) | 2.14 (+12%) | 0.74 (+5.21%) |
| Matsuzakaya | 343.5 (+4%) | 3.15 (+6%) | 3.11 (+27%) |
| Sogo | 222.1 (+7%) | 6.73 (+12%) | 2.57 (+3%) |

a marked improvement in its financial balance arising from a ¥10bn loan repayment.

Sogo achieved its earnings growth largely by expanding the sales floor at its Kobe store, while Takashimaya drew benefit from its efforts to reduce the depreciation burden and cost of sales. An improved financial standing also contributed to Matsuzakaya's earnings

following a loan repayment.

For the current year, the five stores groups foresee a slackening growth trend in individual spending, but their sales and profits are expected to recover further through a streamlining of management.

Takashimaya expects to set a new record for pre-tax profits after four years and Sogo is forecasting a third consecutive year record.

MIM Holdings held back

MIM HOLDINGS, the Queensland mining group, said yesterday its earnings in the 40 weeks to the end of March were hit by an A\$8.5m (US\$7.2m) exchange loss, the two-week strike at its Mt Isa base metal mine last November, nine days' output lost through national coal strikes and lower metal and coal prices. Reuter reports from Brisbane.

The group reported a "significant" A\$16.21m net profit in the period from A\$4.82m in the year earlier but said it incurred an A\$14.88m net loss in the last 16 weeks to March 31

against an A\$26.65m loss a year earlier.

MIM—38 per cent owned by Asarco of the US—also cited continuing losses by the 40 per cent owned Agnew nickel mine in Western Australia.

Offsetting the negative factors was a 22 per cent increase in sales to A\$990.10m in the 40 weeks to A\$812.43m, mainly because of higher sales volume.

The benefits of cost containment were shown by the relatively small rise in the cost of sales to A\$760.82m from A\$740.17m. Capital spending fell to A\$87.9m from A\$156m.

Asian first for Irish bank

By David Dodwell in Hong Kong

BANK OF IRELAND yesterday opened in Hong Kong its first representative office in Asia, aimed at aiding trade finance in the region, and attracting investment in Ireland by Asian manufacturers.

The bank, which has an asset base of \$9bn and capital of \$600m, is also establishing a deposit taking company (DTC) in Hong Kong, to be called BOI Asia, which will conduct wholesale banking business.

Israel Discount Bank ahead 36%

ISRAEL DISCOUNT Bank, the last of the country's leading commercial banks to announce 1985 figures, continued the upward trend with net profits of US\$22.7m, an increase of 36 per cent, writes Lynne Richardson in Tel Aviv.

Return on equity improved from 4.5 per cent to 5.6 per cent. The balance sheet contracted from \$13.2bn to \$11.6bn, reflecting exchange rate variations.

Heavy demand for Cathay Pacific issue

THE FLOTATION of Cathay Pacific Airways was heavily oversubscribed on the first day of subscriptions yesterday but the final level of demand may not be known until next week, Reuter reports from Hong Kong.

Bell's new BHP bid expected next week

AUSTRALIA'S National Companies and Securities Commission yesterday cleared the way for the dispatch of the Bell Resources initial offer document for a commanding stake in Broken Hill Proprietary (BHP). Reuter reports from Melbourne.

Bell said an offer of A\$7.70 a share for up to 20.7 per cent of BHP, on top of its existing stake of 18.47 per cent, should be in shareholders' hands early next week.

Land Securities PLC

(Incorporated in England under the Companies Act 1948; Registered No. 551412)

Placing of
£100,000,000 10 per cent.
First Mortgage Debenture Stock 2025 at £105-523 per cent,
payable as to £25 per cent. on 2nd May, 1986 and
as to the balance by 21st August, 1986

Application has been made to the Council of The Stock Exchange for the whole of the above Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange £10,000,000 of the Stock has been offered to the market and may be available to the public on the date of publication of this advertisement.

It is intended to offer holder's of the Stock an option to take the Stock in bearer form and to provide holders of the existing stock with a similar bearer option.

Listing Particulars of the Stock have been circulated in the Extel Statistical Services and copies may be obtained during normal business hours on any weekday (excluding Saturdays) up to and including 14th May, 1986 from:

J. Henry Schroder Wagg & Co. Limited
120 Cheapside,
London EC2V 6DS

and
Land Securities PLC
Landsec House,
21 New Fetter Lane, London EC4P 4PY

Rowe & Pitman Ltd.
1 Finsbury Avenue,
London EC2M 2PA

Cazenove & Co.
12 Tokenhouse Yard,
London EC2R 7AN

and, until 2nd May, 1986 only, from:
The Company Announcements Office,
The Stock Exchange,
London EC2P 2BT

30th April, 1986

The Republic of Italy U.S.\$500,000,000 Floating Rate Notes due 2005

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 30 April, 1986, to 30 May, 1986, the Notes will carry an interest rate of 7.00 per annum. The interest payable on the relevant interest payment date, 30 May, 1986 will be US\$58.85 per US\$100,000 nominal amount in Bearer (Coupon No. 9) or Registered form and US\$1,471.25 per US\$250,000 denomination in Bearer form (Coupon No. 9).

30 April, 1986, 02.00 p.m.
The Chase Manhattan Bank, N.A.
London, Agent Bank.



Bank of Montreal

(A Canadian Chartered Bank)

U.S.\$125,000,000
Floating Rate Debentures,
Series 6, due 1991

(Subordinated to deposits and other liabilities)

Notice is hereby given that the Rate of Interest for the six month period 30th April, 1986 to 31st October, 1986 has been fixed at 7 1/4 per cent. The amount payable on 31st October, 1986 will be U.S.\$360.97 against Coupon No. 10.

Morgan Guaranty Trust Company of New York
London

This notice complies with the requirements of the Council of The Stock Exchange and does not constitute an offer of, or invitation to subscribe for or purchase, any securities. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

IBM Credit Corporation

(Incorporated in the State of Delaware, U.S.A.)

U.S.\$200,000,000
6 3/4% Notes Due May 8, 1989

Issue Price: 101 1/4%, plus accrued interest, if any, from May 8, 1986

The following have agreed to subscribe for the Notes:-

Nomura International Limited

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Morgan Guaranty Ltd

Swiss Bank Corporation International Limited

Algemene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Banque Paribas Capital Markets Limited

County Bank Limited

Crédit Lyonnais

Daiwa Bank (Capital Management) Limited

Deutsche Bank Capital Markets Limited

EBC Amro Bank Limited

Goldman Sachs International Corp.

Merrill Lynch International & Co.

Mitsui Trust Bank (Europe) S.A.

Morgan Stanley International

Union Bank of Switzerland (Securities) Limited

Yasuda Trust Europe Limited

Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List. The Notes will bear interest from May 8, 1986, at the annual rate of 6 3/4% of the principal amount thereof, payable annually in arrears on May 8 of each year, commencing May 8, 1987.

Listing Particulars relating to IBM Credit Corporation and the Notes are available in the Extel Statistical Services and copies may be obtained during usual business hours up to and including May 2, 1986 from the Company Announcements Office of The Stock Exchange and up to and including May 14, 1986 from:-

Nomura International Limited,
Nomura House,
24 Monument Street,
London EC3R 8AJ

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

Chase Manhattan Bank, N.A.,
London Branch
Woolgate House,
Coleman Street,
London EC2P 2HD

30th April, 1986

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

10th April, 1986



American Express Overseas Credit Corporation N.V.

Yen 20,000,000,000

5 7/8% Guaranteed Yen Notes Due 1991

Unconditionally Guaranteed by

American Express Overseas Credit Corporation Limited

Issue Price 101%, plus accrued interest, if any, from April 10, 1986

Shearson Lehman Brothers International

Nomura International Limited

Mitsui Trust Bank (Europe) S.A.

Morgan Guaranty Ltd

Bankers Trust International Limited

Bank of Tokyo International Limited

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Commerzbank Aktiengesellschaft

County Bank Limited

Crédit Lyonnais

Credit Suisse First Boston Limited

Dai-ichi Kangyo International Limited

Daiwa Europe Limited

Dresdner Bank Aktiengesellschaft

EBC Amro Bank Limited

Lloyds Merchant Bank Limited

LTCB International Limited

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Mitsui Finance International Limited

Morgan Grenfell & Co. Limited

The Nikko Securities Co., (Europe) Ltd.

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

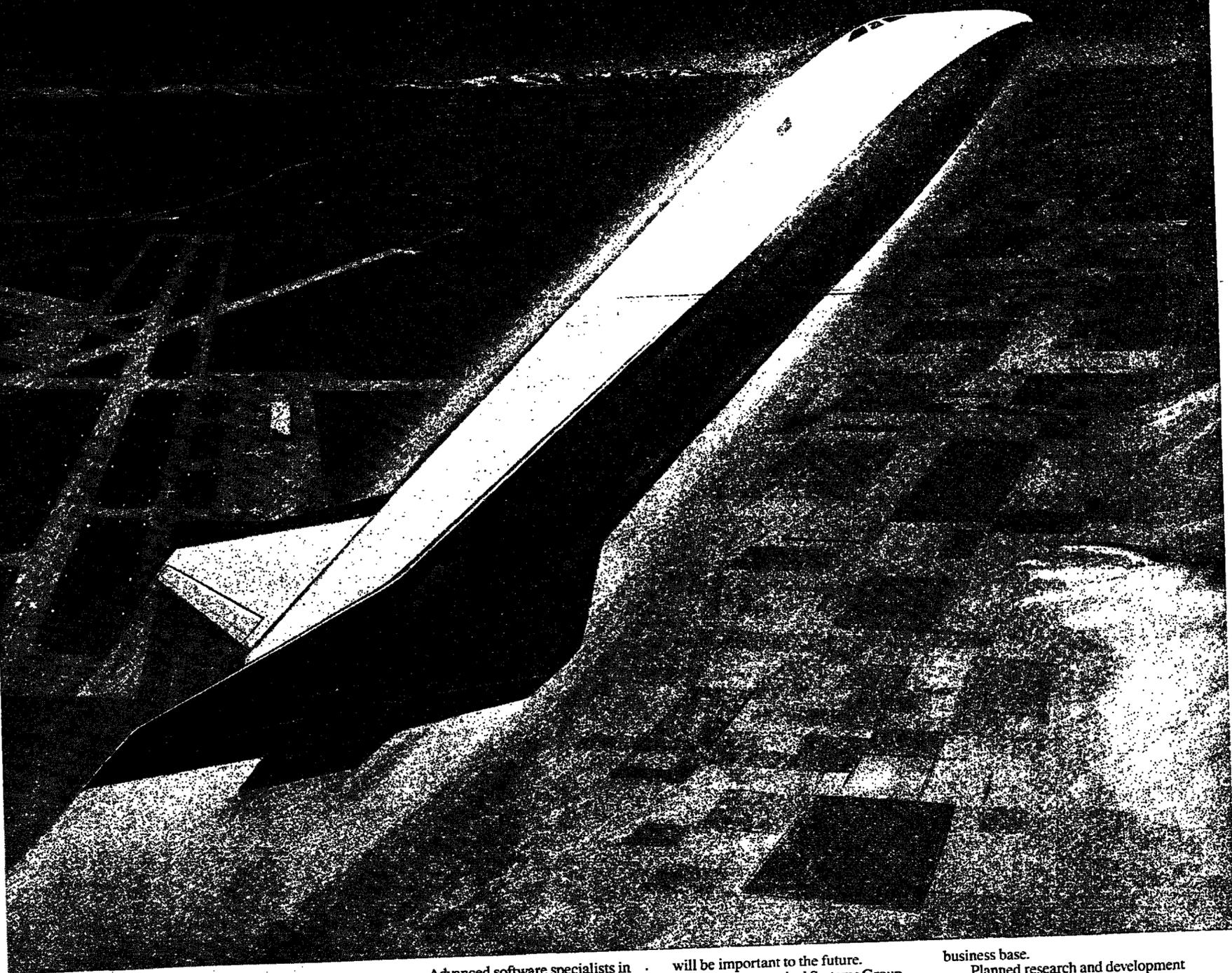
Westpac International Corporation

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Innovation

Bring technology's brightest minds together
to make new ideas fly.



 **Lockheed**
Giving shape to imagination.

Advanced software specialists in Texas. Optoelectronics experts in New Jersey. Materials researchers in California. They all work together to make up Lockheed.

Top engineering and design teams have been assembled within each of the corporation's four major groups. This allows Lockheed to capitalize on unique areas of expertise and focus its efforts on business opportunities that

will be important to the future.

The Aeronautical Systems Group is studying an Aerospace Plane for high-speed missions at the edge of space. It's also exploring designs for an Advanced Tactical Fighter, and performing work on an extensive array of projects vital to the security of this country.

With sound technical and financial strengths, Lockheed moves into the future with a solid, well-balanced

business base.

Planned research and development investments of more than \$2 billion over the next five years will enhance Lockheed's position at the forefront of aerospace technology.

That commitment, supported by substantial investments in new facilities, will reinforce Lockheed's leadership role in tomorrow's most advanced new programs.

UK COMPANY NEWS

Tarmac's £135m beats forecasts

A FURTHER improvement of £20m over the second six months enabled Tarmac to lift its 1985 profits from £109.6m to a record £135.2m pre-tax, a rise of 23 per cent.

City analysts were expecting a slacker second half due to poor weather and had set their sights on £113m for the full year. The company's shares closed 5p higher yesterday at 486p after rising to 488p at one stage.

Each of the six divisions improved its operating profits, the increases deriving both from organic growth and from recent acquisitions.

The bulk of profits came from quarrying (up from £67m to £96.2m at the operating level) but housing showed strong growth with a 44 per cent profit surge to £34.7m.

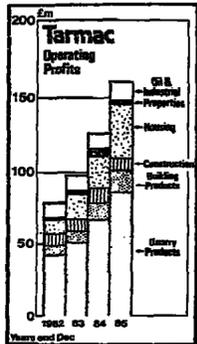
The division sold 9,062 new homes during the year, compared with 1984's 7,125. The management here is looking to the current year with confidence and is expecting an increase in sales of new homes to over 10,000.

Overall, the group has made a quiet start to 1986 due to exceptionally cold and wet weather. Reservations in the housing division are comfortably ahead of this time last year and order books in the quarry products and construction sectors are satisfactory.

The US operations have made a good start and for the group as a whole the directors expect 1986 to be a year of further progress.



Sir Eric Pountain, the chairman of Tarmac



Iceland as well as the UK — the division is also a leading member of the consortium which was selected for the Channel Tunnel project.

In the property division several major retail, office and high technology developments were brought to completion during the year.

Despite the sale in August of the oil and gas business, Plascom, the oil and industrial sector, made higher operating profits. Since the year-end the division has disposed of its two iron foundries and the small tube manufacturing business, and has acquired the 50 per cent shareholding in the Philmac bitumen refinery previously held by Phillips Petroleum — Philmac is now a wholly-owned subsidiary.

From January 1 the building products and oil and industrial divisions have been merged to form a new building and industrial products sector.

The end of 1985 saw a strengthening of the group's balance sheet. An increase in capital and reserves (from £333.6m to £426.7m) included a £41.1m uplift from a professional revaluation of the group's mineral reserves and properties.

Net borrowings at December 31, 1985 were £126.4m, compared with £131.6m a year earlier.

In February this year the group made five acquisitions in the US, and in March made an agreed offer for Thermalite Holdings.

See Lex

Tate set to agree deal with Berisford

By Andrew Gowers and Lionel Barber

Tate & Lyle, the UK-based sugar refiner, is expected today to announce an agreement in principle with S. & W. Berisford, the commodity trading and processing group, which would allow Tate to launch a cash and shares bid.

Bankers and lawyers were last night putting the final touches to a draft agreement. It would allow Tate to acquire British Sugar, the UK beet monopoly, from Berisford for about £450m, and permit Berisford management, led by Mr Ephraim Margulies, chairman, to mount a buy-out for the rest of the company for about £200m.

The Tate offer for Berisford is likely to be half in cash and half in the form of a five-for-one share offer, according to executives close to the negotiations. It would value the whole group at about £470m.

A rival all-share bid for Berisford by Hillside Holdings, the acquisitive UK food and furniture group, was yesterday worth £504m.

If the Tate board gives the go-ahead this morning, the company's announcement — at the same time as its interim results — will take the form of a statement of intent and is likely to contain two conditions:

• Tate needs a water-tight commitment from Mr Margulies on the management buy-out so that it is not saddled with debt.

The group's total borrowings and liabilities are estimated to total at least £1.5bn, while the balance sheet last September amounted to £874m.

Tate is also seeking clearance for the deal from the Office of Fair Trading. It is far from clear that this will be forthcoming, given that together, Tate and British Sugar control about 94 per cent of the UK sugar market.

Action against Hobson dropped

In the High Court yesterday Mr Justice Nicholson discontinued the action he began against Hobson and Hobson Process and withdrew all claims made by him in the originating summons in the action.

Mr Nicholson further undertook to the court not to prosecute any further claim under section 40 of the Patent Act, 1977 in respect of the subject matter of the action and had to pay the costs of Hobson and Hobson Process.

Profit leap in Americas lifts Blue Circle to £117m

HIGHER PROFITS from the Americas helped Blue Circle to offset downturns elsewhere in 1985, and taxable profits came out at £118.5m — up £2.5m on last year, and in the middle of a wide range of City estimates.

The shares rose 43p on the day to close at 716p.

The largest profit rise came from Mexico, which improved more than five-fold to £20.7m. The US moved ahead from £18.3m to £22.8m, and South America from £8.4m to £11.4m.

In addition to yesterday's results announcement the company, one of the UK's leading cement and building materials groups, also reserved the right to raise money via a much-rehearsed rights issue, but denied it had any immediate plans to do so.

"If we are going to expand further, it must be one of our options to increase our capital base," said Mr Hugh Bull, the finance director.

The most likely stimulus for a cash call would be a further move into the US, where in the past three years Blue Circle has invested some £370m.

Change in the treatment of foreign exchange benefited the company to the tune of £17.5m in the period to December 31. It used average rather than end of year rates.

The final dividend is to be



Sir John Milne, chairman of Blue Circle

raised by 1p to 15p for a total of 20p (21p). Earnings per share improved from 62.1p to 67.7p.

Total group turnover moved ahead from £570.5m to £647.2m. In the UK, taxable profits fell from £25.1m to £20.5m.

Sir John Milne, the chairman, says that home trade cement deliveries were unchanged at 7.8m tonnes. Imports remained at about 2 per cent of the UK market.

Substantial increased costs continued to be incurred despite the increase in cement prices, particularly on distribution as a result of the construction work on the new plants at Caudon and Dunbar. The benefit of reduced operating costs at these plants will be felt in 1986, says the chairman.

Operating profit of Armitage Shanks was £10.5m (£13.0m) or 2.5p (£3.6m) was earned in the US. Overseas operations, apart from those in the US, suffered from severe competition throughout the year.

In the US, Atlantic Cement, acquired last May, made £19.8m.

In South Africa profits suffered, particularly in the second half of the year, because of the economic downturn and the weakness of the rand.

Group companies in Australia, New Zealand and Nigeria performed well, although profits in sterling terms suffered from exchange movements.

The tax charge fell from £30.2m to £26.3m, leaving net profits at £90.6m against £89m. The higher dividend will take £27m (£23.3m), leaving the company with a retained profit of £63.5m against £43.6m.

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Bardsey cuts losses

Despite exceptional debits this time of £449,000, Bardsey, industrial and financial holding company, cut its pre-tax losses from £744,000 to £276,000 in 1985.

The exceptional debit and extraordinary costs of £267,000 (£288,000) result from factory closures, disposal of loss-making subsidiaries, and reorganisation of subsidiaries. Bank borrowings and short-term loans were reduced from £8.4m to £3.6m through disposals of non-core businesses and properties.

Turnover was down from £35.2m to £32.6m, but operating losses were substantially reduced to £277,000 compared with £744,000. After a tax credit of £12,000 (£298,000 charge) and minorities of £9,000 (£7,000), the loss transferred to reserves was £990,000 against £1.51m.

Rotaprint to get cash injection

BY CHARLES BATCHELOR

Rotaprint, a loss-making manufacturer of specialist printing machines, is to get a £2m injection of new capital as part of a far-reaching reorganisation of its finances.

The company yesterday announced that its pre-tax losses increased to an estimated £1.7m in the year ended March, 1986, from £652,000, on sales of £15.5m, the year before.

Rotaprint is carrying out a further slimming down of its manufacturing operation, and revising its sales effort to concentrate on factory products and supplies, such as inks, chemicals and plates.

The financial package has been put together by Mr John Crates and Mr Charles Howe, both former executives of Crystalate, the electronics group.

Mr Crates is to become executive chairman and Mr Howe executive deputy chairman of Rotaprint. Mr David Angwin, at present chairman and chief executive and the man who in 1980 was brought in by Midland Bank to restore Rotaprint's fortunes, will step down as a director but will remain a consultant.

The latest financial reorganisation, which involves a £979,000 rights issue and a £1.02m share placing, is the second time Rotaprint has raised new funds in the past four years. In 1982 it raised £1.5m by means of a rights issue.

Rotaprint is to issue 195.7m new shares on the basis of nine new shares for every two ordinary shares at 1p per share. Robert Fleming, Rotaprint's

financial advisers, will place a further 204.3m shares at 1p each. Mr Crates and Mr Howe will each buy 10m shares at a cost of £50,000 each while four members of the existing management will take up 8m shares between them.

The management will be given options over 4m 3p shares if pre-tax profits reach £1m in any year starting 1986/87.

The company will reduce the value of its 5p shares to 1p, representing a total reduction of £1.96m in its share capital. About £1.6m of this, as well as most of the £799,000 in an existing capital reserve, will be transferred to the profit and loss account to eliminate the adverse balance.

Rotaprint's shares fell 1p yesterday to 5p.

Blue Circle Reports SET TO GAIN FROM IMPORTANT CHANGES

| GROUP FINANCIAL HIGHLIGHTS | | |
|--|-----------|-----------|
| | 1985 | 1984 |
| Turnover | £947.2m | £870.3m |
| Profit on Ordinary Activities before Tax | £116.9m | £113.2m |
| Group Share of Profit after Tax and before Extraordinary Items | £83.7m | £ 72.4m |
| Earnings per £1 Ordinary Share before Extraordinary Items | 67.7pence | 62.1pence |

USA: ONE OF THE LARGEST CEMENT SUPPLIERS

We made two major moves in the US in 1985 with the acquisition of Atlantic Cement and the purchase of William Bros, increasing our total cement sales to some 6 million tons a year, and making Blue Circle one of the largest suppliers in the US.

Total cost of US acquisitions since 1982 is some \$370 million.

Earnings from our US businesses are making a substantial contribution to total Group profits, a notable achievement in a short space of time.

Elsewhere overseas it has been a challenging year.

PEOPLE: BASIS OF SUCCESS

In recent years we have made progress in setting the Company on the path for a successful and increasingly profitable future.

Much of the credit for this success is due to the people who work for us around the world.

The 1985 Annual Report will be available shortly. For a copy, please post the coupon below.

To: KD Irons, Group Public Affairs, Blue Circle Industries PLC, Portland House, Aldermaston, Berkshire RG7 4HP, Telephone: 07356 78000

Please send me a copy of your 1985 Annual Report.

Name _____ Address _____

PT384

UK: NEW CAULDON AND DUNBAR WORKS ON STREAM

Activities in the UK were hampered by severe weather which inhibited demand, and by dislocation of production and distribution from the construction work at both Caudon and Dunbar which added to operating costs and largely contributed to the decline in UK cement profits.

However, both these modernised plants are now operating well, and we expect to benefit from a substantial gain in efficiency and productivity during 1986.

Another important development at home was the completion of the move of the Company's headquarters to the new freehold building at Aldermaston. We anticipate substantial cost savings.

ARMITAGE SHANKS: MORE US PROGRESS

Our sanitaryware subsidiary, Armitage Shanks, commissioned a new automated warehouse at Stoke-on-Trent and began production at the new plant in Mooresville, N. Carolina, US. The company is now a major manufacturer of bathroom ware in the US.



| DIVIDENDS ANNOUNCED | | | | |
|-----------------------|-----------------|---------|-------------------|----------------|
| Company | Current payment | Date | Corr. of sp. div. | Total for year |
| Albany Inv. | 2.5 | July 1 | 2.3 | 3.5 |
| Blue Circle | 15t | July 1 | 14 | 21t |
| Burgess Products Int. | 0.5 | May 30 | 0.5 | 2 |
| Edinburgh Oil | nilt | nilt | 0.15 | 0.15 |
| Cecil Gee | 2.8t | nilt | 2.8 | 2.8 |
| Barham Group | 1t | nilt | 0.8t | 2 |
| Norscot | 1.2t | July 1 | — | 2.4 |
| Redearn Glass Int. | 1.5 | Aug. 7 | nilt | 2 |
| Spencer | 4.2 | June 27 | 4 | 6.5 |
| Tarmac | 4.2 | July 3 | 9.4 | 8.1 |
| Total Group | 2.5 | nilt | 1.8t | 4.3 |
| Yule Catto | 4.5 | nilt | 3.75 | 7 |
| Viking Resources | 1.45 | nilt | 0.65 | 2.15 |

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ US\$ stock.

‡ Unquoted

UK COMPANY NEWS

Liberty Life offshoot in £138m expansion rights

BY LIONEL BARBER

Transatlantic Insurance Holdings, the unquoted UK offshoot of Liberty Life Association, the South African insurance group, is raising £137.5m via a rights issue in London.

The aim of the rights is to widen the shareholding of Transatlantic. This would reduce the 75 per cent holding of Liberty Life and prepare Transatlantic for acquisition in the area of financial services, Mr Donald Gordon, Transatlantic's chairman said yesterday.

Last July, Liberty, operating through Transatlantic, won a £17m contested takeover bid for Capital and Counties, the UK property group. Liberty

retained Capital's stock market quotation and Mr Gordon continues yesterday that he would like to seek an eventual listing for Transatlantic.

Transatlantic's rights amounts to 50m preferred ordinary shares on the basis of one-for-two for each ordinary, priced at 275p and carrying a 12p dividend. This compares with Transatlantic on Liberty Life's ordinary shares of 6p for this year.

The decision not to offer the preferred ordinary shares at a discount is balanced by the more attractive dividend for this class of share. Mr Gordon said that he expected the true ordinary shares to catch up in

dividend in about eight years. Transatlantic's portfolio also includes substantial minority holdings in Sun Life Assurance Society, the life company, and Continental and Industrial Trust, the UK investment trust.

Mr Gordon said that he was interested in expanding into mortgage financing and investment trusts too, modelling Transatlantic on Liberty Life's success in South Africa as a broad-based financial services group.

Depending on institutional response to the rights, Liberty Life's stake in Transatlantic, held through a company called Conduit, would drop to around 60 per cent.

Ropner profits down by £1.6m

A DOWNTURN in the second half of 1985 has left Ropner's profits £1.57m short of the record £7.97m achieved in the previous year.

However, Mr Jeremy Ropner, the chairman, says that the company has done well to reach £6.4m although it has been disappointing to see the good start in the first half—profits rose from £3.21m to £3.97m—not being maintained.

Ropner experienced setbacks in two areas, garden products which contributed £1m less at £1.74m and in property development which saw profits tumble from £1.62m to £1.96,000.

Advances were made, however, in insurance broking and shipping which contributed £47,000 (£407,000) and £2,000 (£1.57m) respectively. Engineering operations returned a static £3.44m.

Interest costs were down slightly at £2.18m, against £2.22m, while investment income grew by £25,000 to £1.38m.

Earnings per share were 14.9p (17.7p) after tax of £2.52m (£3.43m). An unchanged 4p final dividend is proposed, making a total 6.5p (6.25p).

comment

Crunching through the figures for a company growing by acquisition as fast as Ropner becomes a slightly academic exercise except perhaps for one core fact—organic growth was running at 30 per cent last year. If that rate can be achieved this year the group looks well on its way towards £3.8m with the aid of the latest buys Fleet Street Publications and Cocks Williams—only in for two weeks in these numbers—should chip in £1m this year while Marcus Bohn, acquired last month, could provide a further £2m. But the acquisitions will not stop there. With £21m in the bank the company is already hoping to lock up a couple of deals by next month; one a market research company and the other a typesetter together making around £800,000 a year pre-tax. Yet these are almost small fry to the "big deal" the executives are looking to sink their teeth into. They talked to Brook Street before Blue Arrow agreed a deal, and have chased after Brunning to no avail—but they will land a large deal eventually. At 1985 the prospective rating of under 17 is not aggressively priced.

Setback for Anglo United's Burnett bid

By Martin Dickson

Conditional proposals for a £40m takeover bid by Anglo United Development Corporation for Burnett and Hallamshire, the troubled coal-mining group, appeared to have been stymied yesterday when Burnett rejected a demand by Anglo for a close look at its books.

Burnett said its rejection had the support of its major creditor—the banks which last year put together a rescue package for the company and now own some 75 per cent of its shares.

Anglo United, which is a small opencast coal mining company, made its proposal conditional on Burnett providing it by May 9 with detailed information on the company's affairs—particularly areas that contributed to last year's crisis—and on Anglo being satisfied with the health of the business.

But Burnett said yesterday that the information contained in its report and accounts for the year to March 1985, and last December's letter to shareholders giving details of the rescue package provided a proper public disclosure of its affairs.

"It would not be in shareholders' interests to provide commercially sensitive information on Burnett's business to a competitor," it added.

Anglo's proposals would have involved the banks receiving less for a class of restricted ordinary shares than they paid for them, though the company was also offering immediate repayment of £20m of loans.

Robert Fleming, Anglo's merchant bank, said last night that it would be approaching the banks to make sure of their attitude and would like further discussions with the Burnett board.

Acquisitions help Barham profits to jump £0.8m

Barham Group, the fast-growing media and communications services concern, hoisted pre-tax profits from £682,000 to £1.4m for the year ended January 1986. Turnover more than doubled to £11m, against £4.95m.

The group's results include for the first time a full year's profits from the acquisitions made in January, 1985, a contribution of £23,379 from Fleet Street Publications (investment tip sheets) and Cocks Williams Associates (market research) from the date of their acquisition in January, 1985.

Stripping out the impact of new acquisitions, the underlying profits growth over the year was some 30 per cent.

Mr Norman Fetterman, the chairman, says the results reflect the actions taken during the past three years. Trading so far this year is in line with expectations and the board is confident of a further improvement in growth and profitability.

Earnings per 2.5p share advanced from 4.72p to 8.2p. The final dividend is 1p net, on capital increased by the December placing and rights, making a total of 5p—a 67 per cent rise over the previous year after adjusting for the share sub-division.

The company is still looking for bid expansion moves within its existing areas, which could

mean further investment in market research and the advertising business.

comment

Crunching through the figures for a company growing by acquisition as fast as Barham becomes a slightly academic exercise except perhaps for one core fact—organic growth was running at 30 per cent last year. If that rate can be achieved this year the group looks well on its way towards £3.8m with the aid of the latest buys Fleet Street Publications and Cocks Williams—only in for two weeks in these numbers—should chip in £1m this year while Marcus Bohn, acquired last month, could provide a further £2m. But the acquisitions will not stop there. With £21m in the bank the company is already hoping to lock up a couple of deals by next month; one a market research company and the other a typesetter together making around £800,000 a year pre-tax. Yet these are almost small fry to the "big deal" the executives are looking to sink their teeth into. They talked to Brook Street before Blue Arrow agreed a deal, and have chased after Brunning to no avail—but they will land a large deal eventually. At 1985 the prospective rating of under 17 is not aggressively priced.

BOARD MEETINGS

| TODAY | FUTURE DATES |
|---|--|
| Investments—Duke Investments, Jansons, Keynote Investments, 77 Overseas Investment Trust, Tata and Lyle. | May 12 BOC, May 21 Barlow Rand, May 21 Croydon, May 1 D&S Simpson, May 1 D&S Mims, May 1 Windsor Securities. |
| Finals—Barr and Wallace Arnold Trust, Bryson Oil and Gas, Cooper Industries, Costain, FR, Farnes, Electronics, Fosco, Minap, Hunting Associated Industries, Jersey General Investment Trust, London United Investments, Shiloh, H. C. Siligsky. | June 10 Atkins Brothers (Hosiery), May 9 Erol, May 9 Lee Cooper, May 1 Minat, May 1 UE. |

COMPANY NEWS IN BRIEF

UNITED NEWSPAPERS' chairman, Mr David Stevens, purchased 750,000 ordinary shares in the company at 336p on April 23. The annual report shows that the chairman's remuneration was substantially increased from £56,467 to £134,861 per annum. The highest paid director also received a big increase from £22,135 to £145,945. The report also shows that payments due under Express Newspapers' manpower reduction plan amount to approximately £58.2m.

SUTHER has increased its holding in Newman Industries to 9.12m ordinary shares (7.23 per cent).

INFRARED ASSOCIATES, the New Jersey company which has had 40 per cent of its shares quoted on the USM since last September, increased its last by 27 per cent to £2.47p (£1.82m) in the year to

February 28 1986, and profits of £435,000 (£197,000) after tax were in excess of those projected in its placing document. A first and final dividend of 2.15 cents is proposed.

YEARLINGS: the interest rate for this week's issue of local authority bonds is 9 1/2 per cent, down 1/4 of a percentage point from last week and compares with 12 1/2 per cent a year ago. The bonds are issued at par and are redeemable on May 6 1987. A full list of issues will be published in tomorrow's edition.

FALCON INDUSTRIES' pre-tax profits plunged from £1.03m to £222,000 in 1985 and there is no final dividend—an interim of 0.5p compares with previous year's 2p total. Turnover was £88.23m (£83.34m) and earnings per 25p share 0.8p (4.8p). Two businesses acquired in 1984, Kestrel and Wyseplan, together with acquisitions made by the Burgen & Ball

subsidiary, produced operating losses.

SYSTEMS RELIABILITY, which makes computerised telephone systems, has increased taxable profits from £2.76m to £3.2m in 1985 on turnover ahead from £10.11m to £18.01m. The final dividend is raised from 2.88p to 3.5p for a total of 5p (4.2p). Further improvement is expected in 1986 from the European subsidiaries, but the performance of the South African offshoot is dependent on the current level of the rand being maintained.

TURNER & NEWALL, the UK engineering and mining group, has agreed to merge its fibre cement building products business in Britain with Compagnie Financière Eternit SA, the Belgian affiliate of the Swiss group, under the name Eternit TAC. Eternit will initially own 51 per cent of the equity and will buy out Turner's 49 per

cent stake in five years' time. Turner is to receive an initial £7m.

ALANY Investment Trust had a net asset value of 132.75p per 20p share at February 28 1986, against 112.52p a year earlier. The increased dividend of 2.5p (2.3p) makes a total for the year of 3.5p (3p). After tax of £90,287 (£77,930), net revenue amounted to £188,121 (£160,373).

EXCO INTERNATIONAL has paid £2.7m cash and £8.2m in loan notes for an 89 per cent stake in LM (Moneybrokers), which sets up to take over the moneybroking business previously carried on by Laurie, Milbank and Company. Exco has injected £10m of further capital into LM.

VIKING RESOURCES Trust's net asset value fell to 55.28p at end-March 1986, against 111.4p a year earlier. Net profit after tax of £17,000 (£243,000) was £836,000 (£505,000), for earnings per share up at 2.09p (1.26p). The total dividend is lifted to 2p (1.15p), with a 1.45p (0.65p) final.

COLORGEN, the start-up company which assembles and sells automated colour matching products, reports a loss of \$751,000 for the six months to end-December 1985 on turnover of \$207,000 (£134,000). The company is a USM stock.

WILLIAM BOULTON Group, the machinery manufacturer, incurred further losses of £428,000 pre-tax, against £465,000, in the six months to end-December 1985 and is passing the preference dividend due at the end of this month. Turnover for the period was £3.79m, which compares with a reported £3.58m and £4m for continuing businesses only. Loss per share was 1p (1.1p). The last ordinary dividend was paid in 1983.

MAJEDIE Investments PLC

The Company's unaudited net asset value, including listed investments at market value, was 255p per share at 31st March 1986.

The comparative figure at 31st December 1985 was 235p per share.

This advertisement complies with the requirements of the Council of The Stock Exchange.



Midland Bank plc

(Incorporated with limited liability in England)

£250,000,000

Subordinated Floating Rate Notes 2001 Issue Price 100.10 per cent.

The following have agreed to subscribe or procure subscribers for the Notes:

Samuel Montagu & Co. Limited

- | | |
|--|---|
| Goldman Sachs International Corp. | IBJ International Limited |
| Merrill Lynch International & Co. | Morgan Guaranty Ltd |
| Salomon Brothers International Limited | Union Bank of Switzerland (Securities) Limited |
| S. G. Warburg & Co. Ltd. | |
| Bank of America International Limited | Bank of China |
| Bank of Tokyo International Limited | Bankers Trust International Limited |
| Banque Paribas Capital Markets Limited | Barclays Merchant Bank Limited |
| Caisse Nationale de Crédit Agricole | Commerzbank Aktiengesellschaft |
| County Bank Limited | Creditanstalt-Bankverein |
| Deutsche Bank Capital Markets Limited | Dresdner Bank Aktiengesellschaft |
| EBC Amro Bank Limited | Fuji International Finance Limited |
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| LTCB International Limited | Morgan Grenfell & Co. Limited |
| Morgan Stanley International | Nippon Credit International (Hong Kong) Limited |
| Norddeutsche Landesbank Girozentrale | Sanwa International Limited |
| Shearson Lehman Brothers International, Inc. | Société Générale |
| Swiss Bank Corporation International Limited | Takugin International Bank (Europe) S.A. |
| Trinkaus & Burkhardt KGaA | |

Application has been made to the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the Notes to be admitted to the Official List. Interest is payable quarterly in arrears in February, May, August and November, commencing in August, 1986.

Particulars of Midland Bank plc and the Notes are available in The Extel Statistical Service and copies of the Listing Particulars relating to the Notes may be obtained during usual business hours up to and including 2nd May, 1986 from the Company Announcements Office of The Stock Exchange and, up to and including 14th May, 1986, at the addresses shown below:

- | | | | |
|--|---|---|--|
| Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN. | Greenwell Montagu & Co., Bow Bells House, Bread Street, London EC4M 9EL. | Midland Bank plc, Poultry, London EC2P 2BX. | Citibank, N.A., 336 Strand, London WC2R 1HB. |
|--|---|---|--|

30th April, 1986

Ideas waiting for venture capital never die. They just

The fact is that the search for venture capital takes ages. And the depressing consequence is that some viable projects end up with quite unsuitable capital structures, while others are abandoned altogether—simply because decisions weren't available quickly enough.

A group of major British venture capital funds agreed that this was hardly satisfactory.

Hence we decided to form a unique, new organisation.

The Cardiff Consortium.

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KWIK SAVE

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| | | |
|--------------------|--------------|--------|
| Sales | £383,004,000 | +13.8% |
| Trading Profit | £18,583,000 | +20.7% |
| Earnings per Share | 7.64p | +31.0% |
| Interim Dividend | 1.8p | +28.5% |

(The unaudited figures of the Group shown above, are for the 26 weeks ended 1st March 1986)

We now trade in 437 stores plus 38 Arctic freezer centres and 94 wines and spirits units. We are now introducing Best of Cellars as the trading name for our wines and spirits units.

From 15th May 1986 copies of the half year report will be available from the Company Secretary, Kwik Save Group PLC, Warren Drive, Prestatyn, Clwyd LL19 7HU.

UK COMPANY NEWS

RMP RAND MINES PROPERTIES LIMITED

(Incorporated in the Republic of South Africa)

Registration No. 68/01239/05

A member of the Barlow Rand Group

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 MARCH 1986

The unaudited consolidated results of Rand Mines Properties Limited ("RMP") and its subsidiaries for the six months ended 31 March 1986 are set out below.

| Income Statement | Six months ended | | Change % | Year ended 30 Sept 1985 R000 |
|-----------------------------|--------------------|--------------------|----------|------------------------------|
| | 31 March 1986 R000 | 31 March 1985 R000 | | |
| Turnover | 36 707 | 34 812 | +5 | 75 276 |
| Operating profit/(loss): | | | | |
| —Property | (494) | 3 873 | | 8 874 |
| —Sand treatment | 10 417 | 6 041 | +72 | 14 406 |
| Interest received | 10 013 | 9 719 | +3 | 23 280 |
| Interest paid | 1 507 | 3 245 | -54 | 6 265 |
| Profit before taxation | 11 473 | 12 901 | -10 | 29 224 |
| Taxation | 2 937 | 3 235 | -9 | 7 938 |
| —Normal | 3 210 | 5 224 | | 6 068 |
| —Deferred | (273) | (1 989) | | 1 840 |
| Profit after taxation | 8 536 | 9 566 | -11 | 21 286 |
| Shares in issue (000s) | 12 403 | 12 403 | | 12 403 |
| Earnings per share (cents) | 69 | 77 | | 172 |
| Dividends per share (cents) | 17 | 17 | | 65 |

| Balance Sheet | 31 March | | 30 Sept 1985 R000 |
|----------------------------|-----------|-----------|-------------------|
| | 1986 R000 | 1985 R000 | |
| Source of Capital | | | |
| Share capital and reserves | 121 161 | 114 734 | |
| Long term liabilities | 513 | 547 | |
| Deferred taxation | 5 263 | 5 476 | |
| | 126 937 | 120 757 | |

| Employment of Capital | 31 March | | 30 Sept 1985 R000 |
|---|-----------|-----------|-------------------|
| | 1986 R000 | 1985 R000 | |
| Fixed assets | 81 203 | 74 023 | |
| Property development, townships and mine residues | 35 790 | 35 090 | |
| Current assets | 29 077 | 33 195 | |

| Total assets | 31 March | | 30 Sept 1985 R000 |
|---------------------|-----------|-----------|-------------------|
| | 1986 R000 | 1985 R000 | |
| Current liabilities | 148 070 | 142 704 | |
| Interest bearing | 51 | 97 | |
| Other | 19 142 | 21 454 | |
| | 126 937 | 120 757 | |

| Salient features | 31 March | | 30 Sept 1985 |
|-----------------------------------|----------|------|--------------|
| | 1986 | 1985 | |
| Net asset value per share (cents) | 977 | 925 | |
| Liabilities to equity | 0.16 | 0.19 | |
| Current ratio | 1.51 | 1.54 | |

| Notes: | Six months ended | | |
|--|------------------|--------------|-------------------------|
| | 31 March 1986 | 30 Sept 1985 | Year ended 30 Sept 1985 |
| 1. Review of results | | | |
| Sand treatment | 1986 | 1985 | 1985 |
| Operating results | | | |
| Sand and slimes treated (000 tons) | 2 833 | 2 886 | 5 313 |
| Gold produced (kg) | 1 243 | 1 260 | 2 624 |
| Yield (grammes per ton) | 0.47 | 0.48 | 0.48 |
| Revenue (rands per ton treated) | 11.91 | 10.33 | 9.82 |
| Cost (rands per ton treated) | 6.93 | 6.23 | 6.14 |
| Working profit (rands per ton treated) | 4.98 | 4.10 | 3.68 |
| Gold price received (rands per kg) | 25 938 | 21 324 | 19 871 |
| Revenue | 31 377 | 27 736 | 52 179 |
| Costs | 18 253 | 16 724 | 32 649 |
| Working profit | 13 124 | 11 012 | 19 530 |
| Amortisation | 2 707 | 2 647 | 5 124 |
| Operating profit | 10 417 | 8 365 | 14 406 |
| Capital expenditure | 10 159 | 4 005 | 5 663 |

Property
The adverse economic conditions which continued during the period under review resulted in the property market remaining depressed. Gross revenue from township land sales for the six months ended 31 March 1986 totalled R2.4 million (31 March 1985 R7.9 million).

Profits to 31 March 1986 do not include those arising from the sale of land in the proposed township of Ormonde extension 13. The profit before tax on this sale, amounting to approximately R1.9 million will be included in the results for the second half of the financial year provided proclamation of the township is achieved during the current financial year.

2. **Prospects for the year**
It is estimated that the group profit after taxation for the year will be of the order of R17 million, equivalent to 137 cents per share. This estimate assumes an average gold price, in rand terms, of R22 250 per kilogram for the remainder of the year, and gross revenue of R11 million from township land sales which includes proceeds from the sale of land in the proposed township of Ormonde Extension 13. It is anticipated that the property market will remain depressed and consequently property profits will be considerably less than those foreseen at the end of 1985 when the annual report was published.

| 3. Capital commitments | Six months ended | | Six months ended 30 Sept 1985 R000 |
|-------------------------|--------------------|--------------------|------------------------------------|
| | 31 March 1986 R000 | 31 March 1985 R000 | |
| Contracted | 4 545 | 7 252 | |
| Approved—not contracted | 46 752 | 44 659 | |
| | 50 297 | 51 911 | |

Capital expenditure has mainly been committed to the erection of the new gold plant at City Deep, the construction of which is progressing satisfactorily.

4. **Interim dividend**
An interim dividend of 17 cents (1985: 17 cents) per share has been declared in terms of the accompanying dividend notice.

For and on behalf of the board
D. T. WATT
J. R. FORBES
A. B. HALL } Directors

Johannesburg
29 April 1986

DECLARATION OF DIVIDEND No. 20

Notice is hereby given that dividend number 20 of 17 cents per share has been declared in South African currency as an interim dividend in respect of the year ending 30 September 1986, payable to members registered at the close of business on 23 May 1986.

The register of members of the company will be closed from 24 May to 1 June 1986, inclusive, and dividend warrants will be posted on or about 27 June 1986. The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom registrars, transfer agents and paying agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 24 May 1986 on which foreign currency dealings are transacted. Where applicable, non-resident shareholders' tax of 15% will be deducted from the dividend.

Johannesburg
29 April 1986
By order of the board
S. MIA
Secretary
Registered Office
5 Press Avenue
Charter Consolidated Services Limited
40 Holborn Viaduct
London EC1P 1AJ

United Kingdom registrars, transfer and paying agents
Hill Samuel Registrars Limited
6 Greencot Place
London SW1 1PL

Transfer secretaries
Rand Registrars Limited
Corner Northern Parkway and Handel Road
Ormonde, Johannesburg 2091-South Africa
(P.O. Box 82549, Southdale 2135 South Africa)

Offer for sale puts £39.2m value on Westbury

By Lucy Kellaway

THE PROSPECTUS is published today for an offer for sale of shares in Westbury, one of the country's largest housebuilders.

Kleinwort Benson is selling 10.5m shares at 145p, to value the company at £39.2m. Of the £15.8m proceeds of the sale, £12.9m is being raised by the company, which will be used to reduce borrowings.

Westbury operates in the South-west of England, the Midlands, and in Wales, building houses mainly for first-time buyers, although it has recently been building more expensive detached houses which sell at prices of up to £100,000.

Since it was established 26 years ago, Westbury had been run as a family group until it was bought out by its management in 1984. Four senior managers, backed by institutions including 3i and the Prudential, bought the company for £12m and proceeded to implement reductions in overheads, and build up the company's land bank.

During the last five years, Westbury has seen steady increases in its unit sales, in turnover and in profit. From £31.5m in 1982, turnover pre-tax profit over the period has grown from £2.2m to £4.3m.

At the offer price, the shares are on a p/e ratio of 11 and yield 4 per cent. The application list opens on May 7, and dealings being on May 14.

The broker to the issue is Panmure Gordon.

comment

The institutions that backed Westbury's management buy-out did a very wise thing. In less than 18 months, they have made a profit of more than 100 per cent, achieved partly by the manager's efforts in making the company a trimmer, more efficient concern, but mainly by the boom conditions in the housebuilding market. It would be too much to expect that those who back the company now get an equally good deal. While the remarkable health of the industry is likely to persist for at least another year, this is well reflected in the sector's rating. However, Westbury has been appropriately priced relative to its competitors, but unlike others and in inflation, Lord Boardman, chairman of National Westminster Bank, told shareholders at the annual meeting yesterday, although the least exposed of the "Big Four" UK banks to the 31 countries generally regarded as "problem situations," was working with international institutions to find solutions.

NatWest confident

The UK's economic growth prospects had been boosted in recent weeks by reductions in oil prices, interest rates and in inflation, Lord Boardman, chairman of National Westminster Bank, told shareholders at the annual meeting yesterday, although the least exposed of the "Big Four" UK banks to the 31 countries generally regarded as "problem situations," was working with international institutions to find solutions.

He was also encouraged by the willingness of leading industrial nations to work together on economic issues, and said that NatWest, although the least exposed of the "Big Four" UK banks to the 31 countries generally regarded as "problem situations," was working with international institutions to find solutions.

NatWest was also investigating how to develop the Budget proposal for Personal Equity Plans to help the small investor, he said, and welcomed the halving of the Government premium on borrowing under the Small Firms Loan Guarantee Scheme.

FT Share Information

The following securities have been added to the Share Information Services:

- BPP Hlds. (Section: Newspapers, Publishers).
- Devenish (J.A.) 4.5pc Conv. 2nd. Pref. (Seas, Wines and Spirits).
- Entertainment Production Services (Leisure).
- Gold Greenless Trout (Paper, Printing and Advertising).
- Hanmex Corp. (Leisure).
- Jarvis, Porter (Paper, Printing and Advertising).
- Lawrence (Walter) 8.5pc Conv. Cum. Red. Pref. (Building, Timber and Roads).
- London Shop Prop. Trust 9.5pc Conv. 1999/2004 (Property).
- Menvier Swain (Electricals).
- Templeton, Galbraith and Hansberger (Trusts, Finance Ltd).

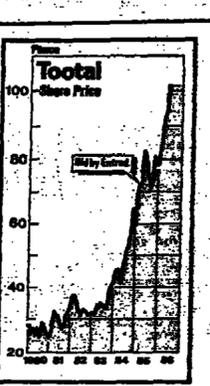
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Tootal meets forecast at £27.4m

AS FORECAST early in its year Tootal Group reported pre-tax profits for the year to the end of January 1986 of £27.3m. It was an increase for the Manchester-based textile company of 20 per cent on the previous year's £22.8m.



Mr Alan Wagstaff, chairman of Tootal Group



Mr Alan Wagstaff, chairman, had predicted profits of more than £27m as part of the defence against the bid from Entrad, the Australian textile group, which failed in April last year.

The result was achieved on turnover down by 11 per cent to £238.0m against £268.2m. Earnings per share came out at 9.4p (7.5p) and the directors are recommending a final dividend of 2.5p (1.87p) making a total for the year of 4p, against 3.1p last time.

Directors say the profits were reduced by £2.7m because of adverse exchange rate movements. Mr Wagstaff says he is looking for a satisfactory increase in earnings and dividend in the present year.

Intensive planning has resumed on expansion, the directors add.

Trading profit came out at £31.52m (£28.29m) with contributions of £17.56m (£20.42m) from thread, £8.54m (£4.07m) from textiles, £3.85m (£2.06m) from clothing and

£3.92m (£3.8m) from non-wovens. Related companies added a further £2.06m, up from last time's £1.4m, and interest charges were £6.23m (£6.84m).

The tax charge was £7.58m (£6.57m) and minorities took £2.88m (£2.71m).

comment

This is the first squeaky clean set of results that Tootal has produced for years, with no extraordinary items, no face-saving property sales. The market responded by adding 5 1/2p to the share price which rose to 102p yesterday. The

Land Securities £100m debenture in bearer form

By Lucy Kellaway

Land Securities, the biggest property development group in the UK, yesterday announced the first major debenture issue in bearer form, a response to changes in the Budget which have reduced the attractions of issuing debentures in their usual registered form.

In this year's Budget, all debentures were brought within the stamp duty net, except for those in bearer form.

The first such issue, made last week by Great Portland Estates which raised £25m in bearer form, is dwarfed by yesterday's issue.

Land Securities is raising £100m in 10 per cent First Mortgage Debenture Stock 2025. It will be added to a similar issue made last November to which a convertible option will be added, making the two issues interchangeable.

Since November Land Securities has raised a total of £300m in long term debt which it is using to fund its move into the expanding warehouse and super-

store sector of the retail market. During the last year it made a number of acquisitions, and has announced a series of development plans. The money will cover recent expenditure and give the group room to move forward in the future.

The full details of recent purchases will be contained in its annual results due next month. At the interim stage, profits to September 1985 were up by 20 per cent to £54.2m.

The debenture, which is being placed by J. Henry Schroder Wagg was priced yesterday at £105.523, with £25 payable now and the balance due in August. The gross redemption yield is 9.46 per cent, a margin of 0.58 per cent above a comparable gilt edged stock.

EDINBURGH OIL & Gas USM, quoted oil and gas exploration, production and investment company, incurred a £151,000 (£819,000 restated) pre-tax loss in 1985. There is no dividend (0.15p).

Norscot Hotels given boost by Clan acquisition

By Lucy Kellaway

THE ACQUISITION of Clan Norscot Hotels to improve its pre-tax profits by 27 per cent from £495,000 to £627,000 in the year to January 26 1986. The directors say that had it not been for the three hotels involved in the acquisition, Norscot's profits would have been down as a result of one of its worst summers on record.

The group also received very little benefit from the provision of accommodation for personnel involved in the Scottish North Sea oil industry. During the previous year, income from this source amounted to £841,000.

Group turnover for the year was 86 per cent higher at £4.18m compared with £2.26m. The pre-tax figure was after interest charges down from £204,300 to £176,000.

A final dividend of 1 1/2p makes the total for the year 2.4p. Stated earnings per share were down from 11.8p to 8.5p. These are the first 2 1/2 year results from Norscot since it joined the United Securities Market last April.

comment

Search long enough and you can find a silver lining within most clouds. For Norscot the collapse in the oil price might mean that its fuel oil bills will ease at some point but for last year the cloud looked fairly impenetrable in that the oil men disappeared—and they were men willing to bank four to a room which was all rather jolly news for profit margins.

So last year, the group was thrown back on the tourist trade. While that filled the empty beds easily enough the margins were not the same and had it not been for the inclusion of the Clan acquisition profits would have been down. However, even without the oil men the hotels look well placed for 1986.

Cancellations by US tourists may become a fact of life but they account for under 10 per cent of volume so Norscot is not about to panic. With Clan in for a full year profits could reach £750,000 which makes the historic p/e of 9 1/2 look a little lame. More acquisitions will come.

This announcement appears as a matter of record only.

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April 1986

ACCOR

1985 PROFITS UP 25.5%

The Board of Directors of ACCOR met on April 15, 1986 to examine the 1985 financial statements.

Group consolidated sales amounted to FF 11,789 million, up 19.5% over 1984. International operations represent 46.6% of these figures. The Group's share in consolidated net after-tax income came to FF 208.5 million, compared with FF 142 million in 1984. Excluding exceptional items, net earnings grew 26.5% reaching FF 178.2 million. Taking into account the shares issued subsequent to bond conversions and the exercise of warrants, after-tax earnings per share before exceptional items rose 18.2% from FF 16.11 in 1984 to FF 18.04. Cash flow amounted to FF 548.5 million, up 33% over 1984.

ACCOR parent company pre-tax sales amounted to FF 1,026 million and net income to FF 85.8 million.

At the Annual Shareholders Meeting, to be held May 27, 1986, the Board will propose payment of a net dividend of FF 8.50 per share plus a FF 2.50 tax credit for a total yield of FF 11.00. This dividend represents an 18.4% increase over the 1984 dividend.

ACCOR's 1985 performance exceeded the year's targets.

A PROMISING OUTLOOK FOR 1986

More than 30 new hotels will be opened in cities around the world including Seattle in Chicago and Miami, Novotel in Madrid, Atlanta, Zurich, Ghent, Noughaton, Cap Vert, Luxe and Petros (Thailand). Construction will begin on approximately the same number of hotels during the year. In addition, 10 one-star "Formule 1" hotels will be opened in 1986.

Thirty-five commercial restaurants will be opened in 1986. More than 150 new contracts for institutional catering should be signed.

The "Hotel Restaurant" meal voucher operation will strengthen its position as world leader, with vouchers issued passing the 500 million mark.

Other events include:

- The purchase of the shares held by the Compagnie Le Hainin in Sphère (U.S.-Uruguay hotels) giving the Group a 94.4% interest in this company.
- The takeover (together with SARI and BOUQUETS) of the majority interest of the CNIT company in Paris, La Défense.
- The founding of a company specialised in managing recreation sites.

At the end of the first quarter, the Group's total sales and profits increased satisfactorily, surpassing the targets set for this year.

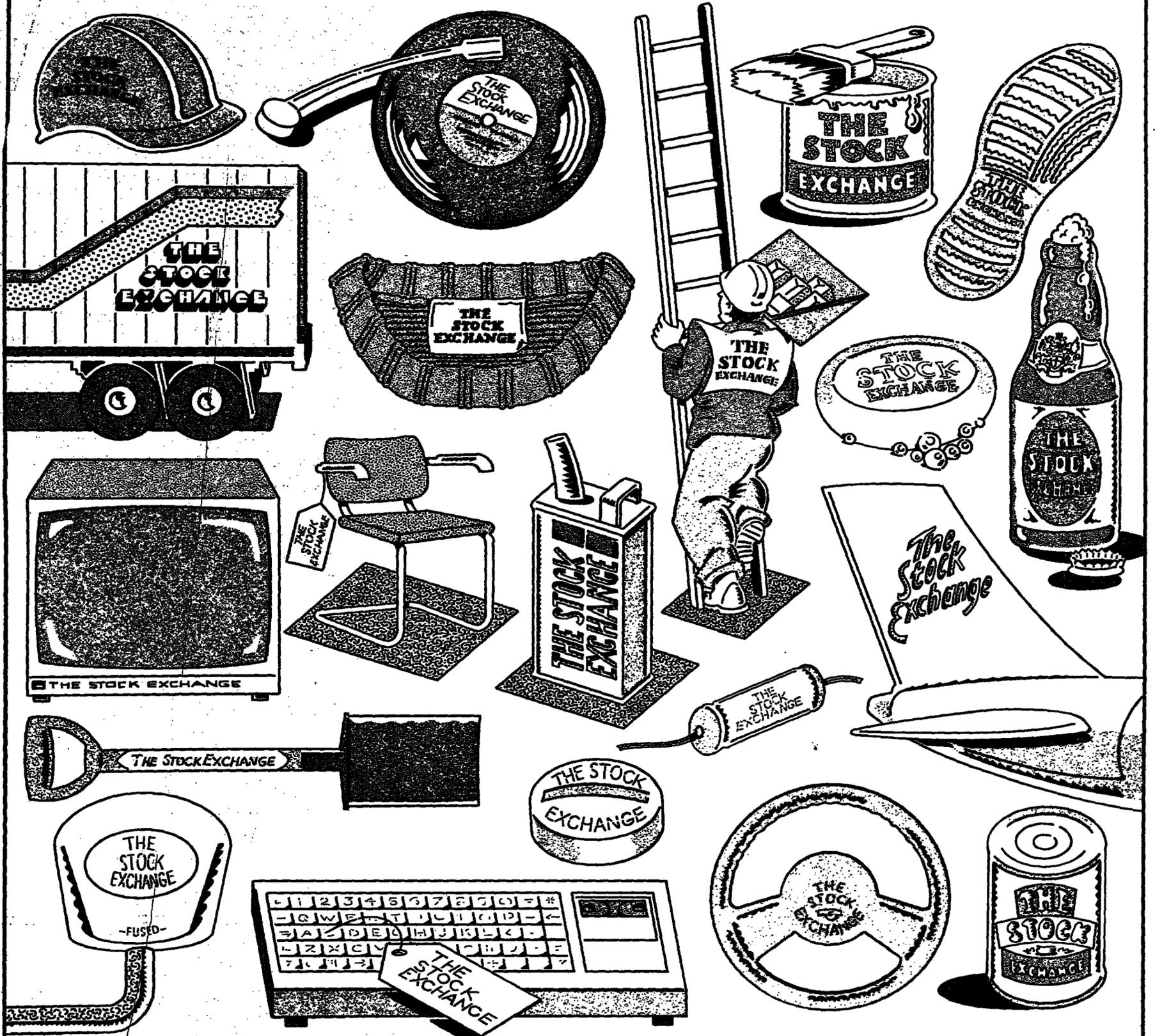
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|------|-----|-------------------------|-------|--------|-------------|------|
| 148 | 118 | Asa. Brit. Ind. Ord. | 131 | | 7.0 | 5.0 |
| 151 | 123 | Asa. Brit. Ind. CULS. | 136 | | 10.0 | 6.0 |
| 75 | 43 | Asa. Brit. Ind. CULS. | 75 | | 8.4 | 8.3 |
| 48 | 29 | Armitage and Rhodes | 29 | | 4.3 | 14.8 |
| 177 | 106 | Barton Hill | 172 | | 4.0 | 2.3 |
| 64 | 42 | Bryt Technologies | 62d | +2 | 4.0 | 2.3 |
| 201 | 186 | CCl. Ordinary | 186 | | 4.3 | 6.3 |
| 152 | 87 | CCl. 1/2pc Conv. Pt. | 87 | | 12.0 | 8.3 |
| 150 | 80 | Carborundum Ord. | 80 | | 13.7 | 6.2 |
| 94 | 83 | Carborundum 7.5pc Pt. | 83 | | 9.1 | 8.6 |
| 345 | 228 | James Borrough | 345 | | 10.7 | 11.6 |
| 32 | 20 | Frederick Parter Group | 20 | | 7.0 | 12.1 |
| 112 | 50 | George Bliff | 110 | | | |
| 68 | 23 | Inde Precision Castings | 68 | | 3.0 | 6.2 |
| 218 | 154 | Iats Group | 154 | | 15.0 | 9.7 |
| 322 | 101 | Jackson Group | 120 | | 15.0 | 11.8 |
| 545 | 228 | James Borrough | 330 | | 5.5 | 4.6 |
| 98 | 85 | James Borrough | 98 | | 15.0 | 4.6 |
| 55 | 56 | John Howard and Co. | 56 | | 12.8 | 13.2 |
| 1285 | 570 | Alphabeta Holding NV | 1285 | | 5.0 | 8.9 |
| 82 | 52 | Robert Seligson | 82 | | 5.0 | 0.4 |
| 34 | 28 | Scrutons "A" | 30 | | | |
| 67 | 56 | Torrey and Ceriale | 60 | | 5.0 | 7.2 |
| 370 | 220 | Travis Holdings | 220 | | 7.5 | 2.6 |
| 175 | 83 | Walter Alexander | 172 | | 2.1 | 3.8 |
| 228 | 106 | W. S. Yates | 189 | | 17.4 | 8.7 |

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£4.8 billion of new investment - most of it to

enable companies to expand and to modernise.

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UK COMPANY NEWS

Redfearn shows further recovery at six months

WITH BOTH divisions in the black, Redfearn National Glass was able to swing from losses of £688,000 to profits of £344,000 pre-tax in the opening half of 1985-86.

Earnings emerged at 5.16p (losses 11.4p) and shareholders are to receive an interim dividend of 1.5p net, the first such payment since 1982.

Looking ahead, the directors say falling energy costs and reducing inflation are welcome. They plan to continue their emphasis on cost containment and increasing productivity to meet market opportunities and point out that the experience of the past six months has increased their confidence.

Despite over-capacity in the glass container industry and the resulting severe market conditions which will affect the group's ability to derive the full benefits from measures taken, the directors believe

Redfearn is in a sound position for further development in selected areas of the packaging industry.

The six months to March 30 1986 saw turnover remain static at £27.39m (£27.4m), but trading profits push ahead from £67,000 to £865,000. There were further benefits from a £234,000 reduction in interest charges to £521,000.

In the glass division, sales were down from £24.5m to £23.4m, but there was a swing from losses of £484,000 to profits of £286,000.

The plastics division returned profits of £88,000, compared with last time's losses of £204,000.

enabled it to pay out its first interim dividend in four years. Last year's second half marked an exceptional bounce back from losses and Redfearn may find this performance hard to beat, but the combined effect of lower energy costs, increased efficiency and a reduction in interest charges should help see the group well on the way to matching it. Some £2m for the full year on a tax charge of 10 per cent would have the shares, up 7p at 210p, on a prospective p/e ratio of 7. Two factors are suppressing the rating: the sight of Ron Brierley's 23 per cent stake overhanging the market and a question mark over the scope for solid growth once recovery is complete. However, there is enough confidence in the new management to suggest that the 150 per cent rise in the share price over the last year has not run out of steam yet.

Property sales put Ceel Gee in back

Ceel Gee returned to profits in the second half of the 56 weeks to January 25 1986, boosted by property sales. After reporting losses of £894,000 in the first half, the USN-quoted retailer and designer of men's clothing had pre-tax profits of £510,000 with a surplus on property sales of £2.9m of which £2.1m came from the sale of its Oxford Street branch to Marks and Spencer.

Turnover for the period was £33.3m. In the previous 52 weeks the company made £222,000 on turnover of £20.65m.

Earnings per 9p share came out at 5.9p (3p) and the single final dividend is to be maintained at 2.4p.

Directors blamed the lower performance on investment in expansion of the ice 2 division the benefits of which should begin to be seen in the present year.

Mr Michael Gee, chairman, says the present year has started well and the future is seen with confidence.

Operating profits were £1.2m (£760,000) and the pre-tax figure was struck after interest charges of £443,000 (£268,000) and exchange losses of £63,000 (£31,000 gain). Last time there was investment income of £29,000. There was no tax charge against £44,000 last time, when there was also an extraordinary credit of £571,000.



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has been awarded a mandate to act as Dealer in the above programme when regulations permit.

Jacques Vert on target with £1.7m

Jacques Vert, the women's fashionwear group which joined the USM in December, hoisted pre-tax profits from £647,000 to £1.7m for the year ended January 19 1986. The result compares with the prospectus forecast of not less than £1.6m.

The directors say they are confident that the company will be able to report continuing substantial growth during the current year and beyond.

Turnover in 1985-86 rose 24 per cent from £28.51m to £35.24m, with exports continuing to rise at almost the same rate as other sales.

Shoes and leather accessories, which are recent additions to the company's range, have been well received and for the Autumn season the company has further extended its range to include co-ordinated jewellery.

As foreshadowed, there is no dividend - had the company's shares been quoted for a full year, a net payment of 5.5p would have been recommended.

Gross profits were some £1m higher at £3.8m. Expenses took £2.06m (£1.76m).

After tax of £723,000 (£21,000 credit) stated earnings per 10p share were up from 7.91p to 11.52p.

APPOINTMENTS

Yorkshire Bank chairman

Mr Sidney Wild will retire on August 31 as chairman of YORKSHIRE BANK, a position he has held since 1981. He will be succeeded as chairman by Sir Richard Pease. Sir Richard became a Barclays Bank local director in Newcastle in 1957 and, in 1970, chairman of the Newcastle board and a vice chairman of Barclays Bank. Sir Richard joined the Yorkshire Bank board in 1977, becoming vice chairman in 1981.

Dr David Brown was elected president of the Association for 1986/87. The NASC's new senior vice president is Mr Michael Osmiston and the treasurer, Mr David Flood.

Mr Robert Blackmore has been appointed marketing director and Mr Raymond White becomes financial director for the reshaped house-building operations.

Mr Roy E. Freacher has been appointed to the board of FIRST INDEPENDENT CORPORATE FINANCE.

At the annual meeting of the NATIONAL ASSOCIATION OF SCAFFOLDING CONTRACTORS Mr David Brown was elected president of the Association for 1986/87. The NASC's new senior vice president is Mr Michael Osmiston and the treasurer, Mr David Flood.

Mr Adrian R. Auer is to join the head office finance department of IMPERIAL CHEMICAL INDUSTRIES as a corporate treasurer responsible for cash and currency management and for finance matters in Continental Europe. He takes up his appointment on May 8 and joins ICI from British Petroleum.

Mr Brian Black, chairman and managing director of Renny's Garage, Tonbridge, Kent, has been elected president of the MOTOR AGENTS ASSOCIATION for the coming year.

Mr Adrian R. Auer is to join the head office finance department of IMPERIAL CHEMICAL INDUSTRIES as a corporate treasurer responsible for cash and currency management and for finance matters in Continental Europe. He takes up his appointment on May 8 and joins ICI from British Petroleum.

In a joint venture Dillon, Read Ltd. together with Dillon, Read and Co. Inc. of New York, have formed DILLON, READ INTERNATIONAL ASSET MANAGE-

MENT (DRIAM) to offer an investment management service to institutional clients focusing on European equities. Mr Robert Rawe has been appointed chief executive and will be based in London. He was previously with Baring International Investment Management (UK).

UNIT HOMES, the house-building wing of the Allred Booth Group, recently acquired by Mowlem, has been reorganised. A new north Thames division has been formed and Mr Colin Stokes has been appointed managing director. The southern division will be headed by Mr Dennis Webb as managing director. Mr Robert Blackmore has

been appointed marketing director and Mr Raymond White becomes financial director for the reshaped house-building operations.

Mr Roy E. Freacher has been appointed to the board of FIRST INDEPENDENT CORPORATE FINANCE.

Residential Property

SANDFORD WAREHAM DORSET
19 ACRES PRIME FREEHOLD RESIDENTIAL BUILDING LAND
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2 B/R £350 - £450 P.W.
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London W1
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Motor Cars

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A MORE INDIVIDUAL CAR FOR THE MORE DISCREET
Individual Lease - HP - Contract Hire... or even cash
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Highest ballistic Protection in Steel Armoured Showroom or just suit for our FREE Brochure and Guide
Price on application
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Holidays and Travel
CONCORDE TO TEXAS
1986 Anniversary Cruise RETURN - £229
AIR EXPT at BRCD - £129
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SWITZERLAND
LAKE GENEVA OR MOUNTAIN RESORTS
Foreigners can buy lovely apartments or chalets with magnificent views
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Prices from SF123,000 - Mortgages up to 65% at 6 1/2% interest
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60% mortgage av. at 6 1/2% int.
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Moorings
Luxury Apartments
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PUERTO PORTALS
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Excellent opportunities for foreigners
60% mortgage available at 6 1/2% int.
Agence Romaine Immobilier SA
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DUPLEX APARTMENT
1 living, 2 bedrooms, kitchen, balcony, parking place.
Beautiful view on the Alps
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Lake Geneva & Mountain Resorts
We are a comprehensive selection of furnished & unfurnished flats and houses to rent on long and short term basis.
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CH-1018 LAUSANNE 16/Switzerland
Tel: 01-458 0648

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Spectacular selection of superbly furnished 1, 2 and 3 bedroom apartments set in grand handsome buildings moments from Grosvenor Square and the wide open spaces of Hyde Park. The expense has been spared in creating the finest interiors. Viewing is highly recommended. Contact: Keith Cardale Groves, 100, Strand, London WC2R 0JH. Tel: 01-222 2222

HENRY & JAMES
CONTACT US NOW ON 01-235 8861
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MONOHILL LTD.
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QUALITY FURNISHED RENTALS - For a number of years we have let and managed 1st class properties. Do call us
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MAJENDIE & CO LTD
We have a large selection of HOUSES AND FLATS From £100 to £2,500 per week
We specialize in Company Lets and our experienced team provides a professional service
102 Draycot Ave, London SW2 2AD - Tel: 01-225 0433 (Fax: 01-225 1043)

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TELEX: 25271

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Opportunity to sell Residential British Property to interested American private/corporate buyers. Competitive fee structure.
Tel: 01-221 1473

Art Galleries
TRACRYAAR GALLERY, 18, THURLOW ST. W. 01-257 5400. JAMES GUNHELL. Watercolourists. 16 May.

Equity Syndicate Officer
Leading international investment house requires an individual, NYSE registered, and with a minimum 2 years' syndication work experience in equity and eurobonds, to establish an independently functioning equity unit in London. Incumbent will be responsible for developing and maintaining relationships with institutional and retail equity distribution within the Company and equity specialists in outside firms as well as creating a close working relationship with equity and convertible traders and the equity investment banking group. Working knowledge of German and oriental language desirable. Educated to MBA standard if finance. Age 25-30. Salary negotiable. Please write enclosing curriculum vitae to:
Box A0135, Financial Times
10 Cannon Street, London EC4P 4BY

RENEW INCORPORATED
On the 18th April 1986 the Board of Directors of Renew Incorporated met and approved the following Report:
ANNUAL BUSINESS RESULTS
(audit) and on consolidated basis)

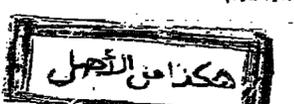
| | Year ended 31st December, 1985 | 1985 | 1984 | 1985 |
|---|--------------------------------|---------------|-----------|------|
| | (£ million) | (\$ thousand) | | |
| Net sales | 228.84 | 220,878 | 1,144,820 | |
| Operating profit | 6,882 | 7,806 | 34,410 | |
| Ordinary profit | 11,883 | 11,616 | 53,315 | |
| Net profit | 6,823 | 6,822 | 33,115 | |
| Net profit per share | ¥41.36 | ¥45.71 | \$0.21 | |
| Rate of net profit on shareholders equity | 6.8% | 8.0% | 6.8% | |
| Total assets | 181,372 | 158,883 | 906,860 | |
| Total shareholders equity | 97,433 | 85,041 | 487,165 | |
| (per share) | (£3.79) | (£3.59) | (\$3.79) | |
| (¥606.49) | (¥688.69) | (\$3.03%) | | |

Note: 1. Dollar figures are translated from Yen for convenience only. 2. Exchange Rate 100 Yen = US \$1
Copies of the Annual Report in English will be dispatched to shareholders who have a registered address in the United Kingdom or Northern Ireland towards the end of May.

USS\$20,000,000
Guaranteed Floating Rate Notes due 1993
Lloyds Eurofinance N.V.
(Incorporated in the Netherlands with limited liability)
Guaranteed on a subordinated basis as to payment of principal and interest by

Lloyds Bank Plc
(Incorporated in England with limited liability)

In accordance with the terms and conditions of the Notes and the provisions of the Agency Bank Agreement between Lloyds Eurofinance N.V. and Lloyds Bank Limited, London, U.K., dated October 21 1981, notice is hereby given that the Rate of Interest has been fixed at 7 1/2% per annum, payable on the relevant interest Payment Date October 31, 1986, against Coupon No. 10 will be US\$183.68 per \$5,000 Note.
April 30, 1986, London
By: Citibank, N.A. (CSI Dept.), Agent Bank **CITIBANK**



FT LAW REPORTS

Employment rights not lost by late return from holiday

IGBO v JOHNSON MATTHEY CHEMICALS LTD
Court of Appeal (Lord Justice Slade, Lord Justice Parker and Lord Justice Nourse): April 23 1986.

AN AGREEMENT between employer and employee that the employee will be dismissed automatically if she returns late from holiday is invalid in that it blurs the operation of employment protection legislation by converting her right not to be unfairly dismissed into a conditional right.

The Court of Appeal so held when allowing an appeal by Mrs Agatha Igbo from the Industrial Tribunal upholding an Industrial Tribunal's decision that she had not been dismissed by her employer, Johnson Matthey Chemicals Ltd.

Section 140 of the Employment Protection (Consolidation) Act 1978 provides: "(1) Except as provided by the following provisions in this section, any provision in an agreement...

Section 54: "(1) ... every employee shall have the right not to be unfairly dismissed ... (2) ... an employee shall be treated as dismissed ... if (a) the contract ... is terminated by the employer ... without notice ... (b) the contract ... is terminated by the employer ... without notice ... (c) the contract ... is terminated by the employer ... without notice ..."

In August 1983 she wished to go on holiday to visit her husband and children in Nigeria and for that purpose to have three more days holiday than was her contractual entitlement.

She was granted an extension on the terms of a letter from the company dated August 18 1983 on condition that she agreed to return to work on September 28 1983. The letter stated "If you fail to do this your contract of employment will automatically terminate on that date."

On September 28 the company received from Mrs Igbo a DRESS Sickness Benefit Claim Form stating she was unfit for work because of "air sickness vomiting and stomach pains" and that she intended to start work on Monday, October 3.

Later on the 28th the company's personnel officer wrote to Mrs Igbo stating that, as she failed to return to work that day, her contract of employment was terminated in accordance with the terms of the letter of August 18.

with the terms of the letter of August 18. Mrs Igbo forwarded a medical certificate covering the period of absence caused by sickness but the company decided not to re-engage her. She applied to the Industrial Tribunal alleging she had been unfairly dismissed.

The industrial tribunal decided Mrs Igbo had not been dismissed. She appealed to the Employment Appeal Tribunal (EAT) which dismissed her appeal. The industrial tribunal and the EAT concluded that Mrs Igbo was not dismissed, on the ground that the case was indistinguishable from British Leyland (UK) Ltd v Ashraf [1978] ICR 979.

There was no question of the company seeking to behave improperly in granting leave on the terms agreed. It was a common practice and designed to ensure that employees, particularly perhaps those going overseas, did not overstay their leave. The company was not obliged to grant leave on the terms agreed. It was a common practice and designed to ensure that employees, particularly perhaps those going overseas, did not overstay their leave.

It was not contended that the effect of the terms, if Ashraf's case was right, could be very harsh. An employee who had been employed for many years with an impeccable record might, for example, be knocked down by a car within feet of the factory gate which he was about to enter at the proper time. If he managed to crawl to the gate and was promptly sent home by the employer in an ambulance his contract would not terminate. If he could not move and was taken away without getting to the gate, his contract would terminate.

To say of an employee who failed to return to work in such circumstances that there was a consensual termination of the contract offended against common sense. There would be nothing consensual about it. The employee's desire throughout would clearly have been that the contract should continue.

The question under section 140 of the 1978 Act was whether the holiday agreement had the effect of excluding or limiting the operation of any provision of the Act. Mrs Igbo contended that the provision for automatic termination of the contract on failure to return to work had the effect of excluding or limiting the operation of section 54 and 55.

It was clear that but for the provision for automatic termination Mrs Igbo would have been dismissed within the meaning of section 55 had the company turned her off on September 28. The termination provision therefore, it was said, had the effect of "limiting the operation" of sections 54 and 55.

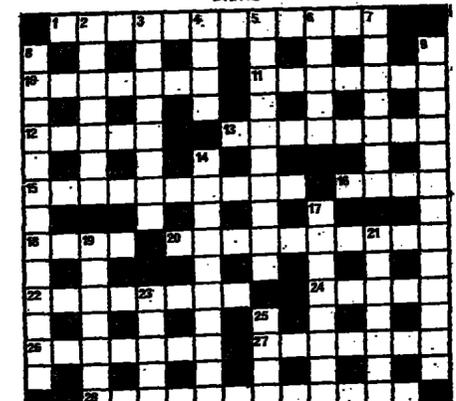
To hold that it did not was impossible when the effect was to convert a right not to be unfairly dismissed into a conditional right not to be unfairly dismissed. The appeal was allowed. For Mrs Igbo: Jane Walker (Stuart A. West & Co.). For the company: Brian Keith (Taylor Garrett).

By Rachel Davies Barrister

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Overseas Fund Managers, Lazard Brothers & Co Ltd, Norwich Union Insurance Group, etc. with columns for name, type, and other details.

FT CROSSWORD PUZZLE No 6,010



- ACROSS
1 Exemplary piece of instruction (6,6)
10 Church eminence (7)
11 Possibly true as a singer (7)
12 Allowance cut in proportion (5)
13 Figure how much property I'm coming into (8)
14 Fight with designed to carry set (10)
15 Sign on the staff (4)
16 Flat-iron? (4)
17 More agents might make them (10)
18 Leave the law to the big guns (8)
19 Information that is to be found in the Arabian Nights (5)
20 Sufferers find it painful in the extreme (7)
21 It's read with feeling (7)
22 Gambling on ship's movement? (5,4,4)
DOWN
2 Meat and drink for the all-ing (4,3)
3 One has a job to get money from one (8)
4 Restrictions imposed for cup matches (4)
5 Simple way in which the affluent live (4,6)

CHEMICALS AT THE CROSSROADS
The Financial Times proposes to publish a Survey on the above
PUBLICATION DATE JUNE 3 1986
For an editorial synopsis and advertising details please contact: William Chatterback on 01-268 9000
The Survey date is subject to change at the Editor's discretion

AUTHORISED UNIT TRUSTS & INSURANCES

| Company Name | Address | Contact | Product/Service | Details |
|---------------------------------|-----------------------------------|-------------|-----------------|---------|
| Arden Life Insurance Co Ltd | 40, Broad Street, London EC1A 4BE | 01-833-2301 | Life Insurance | ... |
| Colonial Mutual Group | 24, Leake Street, London EC4P 4ED | 01-248-9961 | Life Insurance | ... |
| Imperial Life Ass. Co of Canada | 12, Broad Street, London EC1A 4BE | 01-232-5555 | Life Insurance | ... |
| London Life-Continued | ... | ... | Life Insurance | ... |
| Imperial Life (UK) Ltd | 12, Broad Street, London EC1A 4BE | 01-232-5555 | Life Insurance | ... |
| General Accident Life Assurance | ... | ... | Life Insurance | ... |
| Scottish Widows | ... | ... | Life Insurance | ... |
| Prudential | ... | ... | Life Insurance | ... |
| ... | ... | ... | ... | ... |

INSURANCES

AA Friendly Society
 (Incorporated in the City of London)
 PO Box 93, Cannon Street, London EC4A 3DF
 01-232-5555

Albany Life Assurance Co Ltd
 100, Broad Street, London EC1A 4BE
 01-232-5555

...

Scottish Widows
 100, Broad Street, London EC1A 4BE
 01-232-5555

Prudential
 100, Broad Street, London EC1A 4BE
 01-232-5555

...

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INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and overseas funds with columns for fund name, company, and performance metrics.

Table listing various insurance and overseas funds, continuing from the previous table.

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OFFSHORE AND OVERSEAS

Table listing offshore and overseas funds with columns for fund name, company, and performance metrics.

Money Market Trust Funds

Table listing Money Market Trust Funds with columns for fund name, company, and performance metrics.

Money Market Bank Accounts

Table listing Money Market Bank Accounts with columns for bank name, account type, and interest rate.

Money Market Bank Accounts (continued)

Table listing Money Market Bank Accounts, continuing from the previous table.

Money Market Bank Accounts (continued)

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Notes and additional information regarding the bank accounts.

COMMODITIES AND AGRICULTURE

US grain markets poised for fresh supply surge

BY DAVID OWEN IN CHICAGO

OVER-SUPPLIED US grain markets are bracing themselves for another influx of wheat and maize from tomorrow, when the US Government is due to start advance payments to farmers under the 1986 support programme.

entitlements quickly to secure the highest returns. However, delays in the issue of some credits should ensure that the additional grain comes on to the market in a steady trickle rather than a sudden flood.

Dry weather in main wheat-growing regions is proving a further short-term shot in the arm. One trader said the weather was proving difficult for wheat. "Maize is only 50 per cent planted, though it is less affected."

China link with Chicago

CHINA plans to start trading grains and metals futures on the Chicago Board of Trade at an appropriate time, a top Chinese trade official said, Reuters reports from Peking.

LONDON MARKETS

ZINC prices rose sharply on the London Metal Exchange yesterday following the announcement of unexpected producer price increases by several European smelters.

INDICES

Table with columns for REUTERS, DOW JONES, and MAIN PRICE CHANGES. Includes data for various commodities and metals.

US MARKETS

RUMOURS OF increased US military presence in the Mediterranean prompted cautious speculative short-covering in gold, but technical profit-taking pared the gains.

Table with columns for ORANGE JUICE, SUGAR, PLATINUM, and SILVER. Includes price data for various commodities.

LME opens up clearing system talks

THE POSSIBLE launch of traded options on the London Metal Exchange could be held back by the proposed introduction of a clearing house at the exchange.

Oil price fall slow to hit world coal trade

FALLING oil prices by stimulating economic growth could increase demand for coal-fired electricity, in spite of the harm they will inflict on coal in other parts of the energy market.

China link with Chicago

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NEW YORK

Table with columns for ALUMINIUM, COCOA, and SOYBEANS. Includes price data for various commodities.

CHICAGO

Table with columns for LIVE CATTLE, LIVE HOGS, and PORK BELTIES. Includes price data for various commodities.

A short cut in sugar transport

HAVE THE E. D. and F. Man group and Thomas Nationwide Transport gone? The two companies, respectively among the world's biggest sugar trading and transportation groups, have just spent about \$17m (£10.9m) buying and chartering an old merchant ship for the bulk shipment of white sugar.

Oil price fall slow to hit world coal trade

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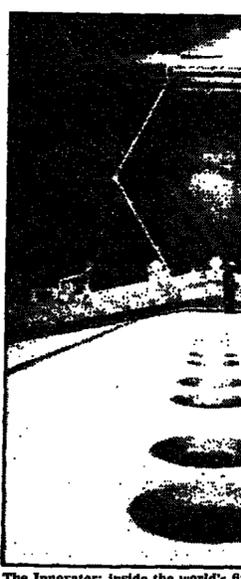
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NEW YORK

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CHICAGO

Table with columns for LIVE CATTLE, LIVE HOGS, and PORK BELTIES. Includes price data for various commodities.



The Innovator: inside the world's first Bulk-In, Bags-Out refined sugar carrier

Man, faced like other commodity businesses with a slump in earnings from traditional trading operations, is in pursuit of vertical integration, of ownership of all links of the commodity producing and handling chain.

Both Man and TNT are also actively considering how B/I/B/O might be applied to other bulk commodities, such as flour, rice, cocoa and coffee.

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BRITISH FUNDS

Table of British Funds with columns for Name, Price, Dividend, and Yield. Includes sections for 'Shorts' (Lives up to Five Years) and 'Five to Fifteen Years'.

Over Fifteen Years

Table of British Funds for the 'Over Fifteen Years' category.

Undated

Table of British Funds for the 'Undated' category.

Index-Linked

Table of British Funds for the 'Index-Linked' category.

GOVT BOND AND OSEAS

Table of Government Bonds and Overseas investments.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans.

LOANS

Table of various Loans.

Public Board and Ind.

Table of Public Board and Industrial investments.

FOREIGN BONDS & RAILS

Table of Foreign Bonds and Rails.

AMERICANS

Table of American stocks and funds.

AMERICANS - Cont.

Continuation of American stocks and funds table.

CANADIANS

Table of Canadian stocks and funds.

BANKS, HP & LEASING

Table of Banks, Hire Purchase, and Leasing companies.

IRELAND

Table of Irish stocks and funds.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits.

BUILDING, TIMBER, ROADS

Table of Building, Timber, and Roads sectors.

DRAPERY & STORES

Table of Drapery and Stores.

AMERICANS - Cont.

Continuation of American stocks and funds table.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Continuation of Building, Timber, and Roads table.

DRAPERY & STORES - Cont.

Continuation of Drapery and Stores table.

ELECTRICALS

Table of Electrical companies.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics companies.

DRAPERY & STORES

Table of Drapery and Stores.

AMERICANS - Cont.

Continuation of American stocks and funds table.

ENGINEERING - Cont.

Continuation of Engineering table.

INDUSTRIALS - Cont.

Continuation of Industrials table.

FOOD, GROCERIES, ETC

Table of Food, Groceries, and other sectors.

HOTELS AND CATERERS

Table of Hotels and Caterers.

AMERICANS - Cont.

Continuation of American stocks and funds table.

INDUSTRIALS - Cont.

Continuation of Industrials table.

Handwritten signature 'L. J. ...' at the bottom of the page.

INDUSTRIALS—Continued

Table of industrial stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

LEISURE—Continued

Table of leisure stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

PROPERTY—Continued

Table of property stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

FINANCE, LAND—Cont.

Table of finance and land stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

MINES—Continued

Table of mine stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

COMMERCIAL VEHICLES

Table of commercial vehicle stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

SHIPPING

Table of shipping stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

SHOES AND LEATHER

Table of shoe and leather stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

SOUTH AFRICANS

Table of South African stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

TEXTILES

Table of textile stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

INSURANCES

Table of insurance stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

TOBACCO

Table of tobacco stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

PROPERTY

Table of property stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

LEISURE

Table of leisure stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock price, price, and other financial metrics.

Notes, Plantations, Overseas Traders, Mines, Eastern Rand, Central Rand, Far West Rand, Regional & Irish Stocks, and other miscellaneous information.

WORLD STOCK MARKETS

Table of world stock markets including sections for Austria, Germany, Norway, Australia, Japan, Canada, Hong Kong, Switzerland, Netherlands, France, and various indices. Each section lists stock prices, changes, and market data.

OVER-THE-COUNTER

Table of over-the-counter stock prices, including columns for stock names, sales, high, low, and last prices.

Table of technical factors and active stocks, including sections for New York Active Stocks and Toronto market data.

Technical factors dominate Europe

Continued from Page 38. The selling pressure subsided in Brussels although the absence of many international and domestic buyers produced thin trading and a sharp enough retreat in the Belgian Stock Exchange index, which finished a further 21.43 down at 3,594.77 after Monday's 51-point fall.

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Prices at 3pm April 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table of stock prices with columns for 12 Month High/Low, Stock, Div, Yld, P/E, 100s High/Low, and various price points.

Continued on Page 37

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices, including columns for 12 Month High/Low, Stock, P/E, Div, and various stock symbols like AAPL, IBM, and GE.

AMEX COMPOSITE PRICES

Prices at 3pm, April 29

Table of AMEX Composite Prices, including columns for 12 Month High/Low, Stock, P/E, Div, and various stock symbols like DOW, AMT, and JNJ.

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Table of Over-the-Counter prices, including columns for Stock, Sales, High, Low, Last, and various stock symbols like ADB, AIG, and AIZ.

Advertisement for BASEL/GENEVA/LAUSANNE/LUGANO/ZURICH, featuring 'HAND DELIVERY SERVICE' and 'SWITZERLAND'.

Continued on Page 35

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Additional cause for gloom

DISAPPOINTMENT with the flow of corporate trading reports continued to foster doubts on Wall Street yesterday, writes Terry Byland in New York.

The blue-chip stocks opened steadily but fell heavily at mid-session when premiums on stock futures narrowed, triggering selling programmes across the range of the market. Technology issues led the rout as investors reacted to IBM's report to stockholders.

There was some nervousness over losses in selected utilities as reports reached New York of the serious nature of the nuclear accident in the Soviet Union.

At 2pm the Dow Jones Industrial average was 19.84 down at 1,823.91.

The Dow utilities average slumped more than 5 points when stocks of some nuclear powered utilities fell heavily on the possible implications for US safety regulations of the Soviet accident. There was heavy trading in Long Island Lighting (Lilco), operator of the Shoreham nuclear plant near Manhattan. At \$114, Lilco was 5 1/2 off.

Other utilities to weaken included Consolidated Edison, with 17 per cent of its power nuclear generated, which fell

\$1 1/4 to \$42 1/4. Atlantic City Electric, with 21 per cent, down \$1 1/2 at \$34 1/4. Carolina Power 19 per cent, down \$1 1/4 at \$32 1/4, and Eastern Utilities, 11 per cent, down \$1 1/4 at \$31 1/4.

Losses among the leading computer issues were extended sharply as the selling programmes dug into the market. IBM lost \$2 1/4 to \$158 1/4 in heavy turnover as Monday's late buying spurt died away and the market was left to absorb the board's cautious report to stockholders.

Sperry Corporation dropped \$1 1/4 to \$54 1/4 after announcing annual profits. Other dull features included Burroughs, once a prospective bid partner for Sperry, which dipped \$1 1/4 to \$60 1/4. Digital Equipment, down \$2 1/4 at \$180, and Honeywell, 55 1/2 lower at \$75 1/4.

Semiconductor issues also trembled after reports that a leading analyst might downgrade the sector. At \$48 1/4 Motorola fell \$1 in brisk selling.

Hardest hit among corporate reporters was Raychem, the manufactured plastic group, which plunged \$19 to \$107 after reporting increased earnings which failed to match the bulls' hopes.

American Brands jumped a further \$1 1/4 to \$93 1/4 although Bat Industries of the UK declined comment on market hints that it might bid for the US company. On cooler consideration, Wall Street scouted the rumours, pointing out that American Brands is a weak player in a competitive US tobacco industry plagued by worries over product liability attacks.

There was some hefty profit-taking in pharmaceuticals, where Merck dipped \$1 1/4 to \$178 1/4 and Pfizer \$1 1/4 to \$59 1/4.

Weak chemicals were featured by Du Pont, down \$1 at \$78 1/4.

Widespread losses among the banks left J.P. Morgan down \$1 1/4 at \$85 and Citicorp \$ 1/2 off at \$45 1/4. American Express, however, which it to buy in another 10m common shares, gained \$ 1/2 to \$61 1/4 in heavy turnover.

Oils showed little change as investors waited for the next trend in world prices. Chevron eased \$ 1/4 to \$38 1/4 on results. At \$57 1/4, Exxon shed \$ 1/4, and Atlantic Richfield lost a further \$ 1/4 to \$52 1/4 in continued reaction to the lower profits news.

Reports of some scattered buyin of federal bonds from Japan helped government issues put on half a point or so, but the credit markets remained wary ahead of today's expected announcement of a \$25bn Treasury refunding programme.

The latest federal data on US economic indicators and housing starts left analysts still in doubt on the pace of the economy.

The Fed again helped the markets, this time with \$2.5bn in customer repurchases when federal funds were at 6 1/4 per cent. Short-term rates edged higher, none the less, as the market continued nervous about the immediate outlook.

EUROPE

Technical factors dominate

TECHNICAL FACTORS dominated mixed European trading yesterday as foreign buyers remained uneasy over the course of the dollar and domestic investors prepared for the May Day holiday.

Frankfurt staged a solid recovery from Monday's sharp fall, and the Commerzbank index regained 4 points to 2,173.7, largely on the strength of persistent domestic institutional buying and scattered bargain-hunting.

Deutsche Bank rose DM 16 to DM 867.50 while Commerzbank recouped DM 12.50 to DM 333.50.

Siemens was the brightest spot in the electrical sector with its DM 21.50 surge to DM 677 although AEG staged a DM 10 advance to DM 349.

Among the car makers Daimler rebounded DM 22 to DM 1,498, and VW, which suffered a particularly harsh mark-down on Monday, recovered almost all of it with a DM 21.10 rebound to DM 632.10.

Builder Holzmann turned DM 11 closer to its high for the year to finish at DM 841.

Vebsa rose DM 35 to DM 388, a new high for the year, as its Preussenelektra subsidiary boosted its 1985 dividend.

Bonds were subdued as overseas operators remained on the sidelines. Gains of up to 20 basis points and losses of up to 30 basis points were recorded.

The central bank reduced its market balancing operations to sales of DM 8.8m worth of paper compared with Monday's sales of DM 15.1m.

Profit-takers surfaced in Paris as the pre-holiday mood spread to most sectors. The prime-rate cut was announced after the market had closed.

Building issues, which have underpinned much of the bourse's recent advance, suffered steady technical selling. Bouygues gave up Ffr 54 to Ffr 1,180, and Lafarge-Coppée lost Ffr 50 to Ffr 1,495. Scrg took a bruising with another Ffr 9 decline to Ffr 79.

Hypermarket group Carrefour fell Ffr 160 to Ffr 3,630 ahead of its profits forecast for 1986.

Among very weak engineering stocks Dassault fell Ffr 219 to Ffr 1,631 and

LONDON

Electricals encourage positive lead

ELECTRICALS led London higher as the sector's firmness spilled over into other areas. Confidence was reinforced by exchange rates and also by an encouraging report from the employers' group CBI on UK industrial trends in April.

GEC was strongly supported, rising 14p to 208p, and Racal Electrical added 10p to 216p.

A favourable trading statement and relief over the absence of any call for fresh funds contributed to gains at Blue Circle Industries, up 43p at 718p.

The FT Ordinary share index added 25.9 to 1,391.2, and the FT-SE 100 rose 27.5 to 1,656.3.

Business in gilts was light, but in the absence of selling prices advanced. Longs recorded gains of around 1/2. Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32-33.

AUSTRALIA

MINING issues were sold in Sydney yesterday, but renewed enthusiasm for industrials pushed the market slightly higher.

As the Australian dollar strengthened against the US currency, investors sold miners. CRA dropped 18 cents to A\$6.36 and Boushville and Western Mining 5 cents each to A\$2.55 and A\$3.20 respectively.

Wormald, rumoured to be a takeover target, jumped 28 cents to A\$4.10, a record price, while Adsteam also hit a peak of A\$13.70 before settling back to end at A\$13.60, up 30 cents.

HONG KONG

PROFIT-TAKING, after the previous two days of record trade, closed as gains in Hong Kong, and most issues ended generally lower.

The Hang Seng index gave up 22.36 to 1,828.29, and turnover rose to HK\$548.44 worth of shares from HK\$429.38m on Monday.

Banks, which recorded strong rises in Monday's session, were stripped of their gains. Bank of East Asia lost 10 cents to HK\$20.30 and Hongkong Bank 20 cents to HK\$7.10.

TOKYO BOND MARKET

Surge of activity in US issues

FOREIGN bond purchases by Japanese institutional investors, such as life insurance companies and trust banks, have grown rapidly, creating in Tokyo an over-the-counter market in long-term US government bonds, writes Shigeo Nishiwaki of Jiji Press.

These long-term bonds account for about 90 per cent of the foreign bonds purchased and have a sizable impact on the bond market in New York. Meanwhile, some large Japanese securities houses have applied to become primary dealers.

These developments have reduced the distance between the bond markets in Japan and the US.

In 1985 Japan's foreign bond purchases amounted to \$291.4bn and sales to \$237.9bn, resulting in net purchases of \$53.5bn, which nearly matched the nation's trade surplus for the year. The net foreign bond purchases were double those in 1984 (\$26.8bn), which were twice as large as those in 1983 (\$12.5bn).

The growth has continued into this year. Net foreign bond purchases came to \$5.7bn in January, \$6.0bn in February and \$8.5bn in March. In the first half of

SINGAPORE

THE FIVE-DAY run of lower sessions came to an abrupt halt in Singapore yesterday as bargain hunters picked up issues, pushing prices higher across the board.

The Straits Times industrial index climbed 8.02 to 571.36, and volume increased to 8.1m shares from 6.3m on Monday.

TDM, the most active stock, rose 9 cents to S\$1.02. Sime Darby put on 2 cents to S\$1.16 and industrials were led by Fraser & Neave, up 15 cents at S\$5.85, and Singapore Press, higher by a similar amount at S\$5.80.

CANADA

GOLD ISSUES edged higher while most other sectors traded mixed in Toronto yesterday.

Among companies to report higher first-quarter profits, Dupont Canada climbed CSI to CS35% and Placer Development traded CS 1/2 higher at CS22.

Gold turned higher, with Lac Minerals up CS 1/4 at CS19% and Campbell Red Lake CS 1/2 stronger at CS21 1/2.

Montreal was easier.

SOUTH AFRICA

MOST ISSUES faded in Johannesburg as a weaker bullion price depressed other sectors.

Among gold issues Vaal Reefs dropped R9 to R204, Buffels R3 to R64 and Driefontein R150 to R30.50.

Retailer OK Bazaars, which recorded a loss for the year to March 31, was unchanged at R11.50. The group expects an improvement in this year's results.

| KEY MARKET MONITORS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|-----------|-----------|----------|----------------------|--|--|--|----------|----------|----------|----------|----------------------|-------------------------|----------|----------|---------------|----------|------------------|---------|----------------|-----------|-----------|-------------------------|-------------------|----------|----------|--------|---------------------|----------|----------|---------|-------|------|--------|-------|-------|--------|-------------------------------|--------|-------|------|--------|---------------------|---------|---------|---------|----------|------|-------|-------|------|-------|----|--------|--------|-------|------|
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| CURRENCIES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | April 29 | Previous | April 29 | Previous | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| FINANCIAL FUTURES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chicago | Latest | High | Low | Prev | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 8% 32nds of 100% | 100-14 | 100-27 | 99-28 | 199-21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| \$1m points of 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| June | 94.13 | 94.20 | 94.08 | 94.14 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Certificates of Deposit (TMM) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| \$1m points of 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sept | 93.58 | 93.58 | n/a | 93.53 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th colspan="4">COMMODITIES</th> </tr> <tr> <th>(London)</th> <th>April 29</th> <th>Prev</th> <th></th> </tr> </thead> <tbody> <tr> <td>Silver (spot fixing)</td> <td>324.40p</td> <td>330.00p</td> <td></td> </tr> <tr> <td>Copper (cash)</td> <td>£919.50</td> <td>£925.00</td> <td></td> </tr> <tr> <td>Coffee (May)</td> <td>£2,227.00</td> <td>£2,228.50</td> <td></td> </tr> <tr> <td>Oil (Brent blend)</td> <td>\$12.45</td> <td>\$12.875</td> <td></td> </tr> </tbody> </table> | | | | COMMODITIES | | | | (London) | April 29 | Prev | | Silver (spot fixing) | 324.40p | 330.00p | | Copper (cash) | £919.50 | £925.00 | | Coffee (May) | £2,227.00 | £2,228.50 | | Oil (Brent blend) | \$12.45 | \$12.875 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| COMMODITIES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (London) | April 29 | Prev | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Silver (spot fixing) | 324.40p | 330.00p | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Copper (cash) | £919.50 | £925.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Coffee (May) | £2,227.00 | £2,228.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Oil (Brent blend) | \$12.45 | \$12.875 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| GOLD (per ounce) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | April 29 | Prev | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| London | \$345.75 | \$344.75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Zurich | \$343.25 | \$343.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Paris (fixing) | \$344.05 | \$345.93 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Luxembourg | \$342.50 | \$346.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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